X-XI

STATE TAX COMMISSIONS IN THE UNITED STATES

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History is past Politics and Politics are present History.—*Freeman*

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X-XI

STATE TAX COMMISSIONS IN THE UNITED STATES

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PREFACE.

This monograph is the outgrowth of a study of the reports made by the State Tax Commissions in the United States, appointed to investigate the problem of taxation as it existed in the States which they represented.

It is the purpose of the writer to present the imperfections of the tax systems in the several States and to show the manner in which the commissions have performed their duties, attention being directed also to the results which their labors have accomplished.

This paper was practically completed in the fall of 1895, before the appearance of Professor E. R. A. Seligman's "Essays on Taxation," in which he has critically examined several reports made by these commissions.

Inasmuch as it was not the writer's purpose to present a criticism upon the recommendations of the commissions, he has been unable to make use of Professor Seligman's work in revising this paper for publication.

He takes this means, however, of acknowledging the kindness of Prof. Seligman in placing scarce reports in his hands. He also wishes to acknowledge especially the service of Dr. J. H. Hollander, of the Johns Hopkins University, who assisted him by many helpful suggestions.

JAMES W. CHAPMAN, JR.

BALTIMORE, MD., *November*, 1897.

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STATE TAX COMMISSIONS IN THE UNITED STATES.

CHAPTER I.

Development of the Problem of State Taxation in the United States.

The history of local taxation in the United States with respect to the causes leading to the creation of State Tax Commissions may be divided into three periods: (1) from the foundation of the Colonies to 1796; (2) from 1796 to the Civil War; (3) from the Civil War to the present.

From Foundation of the Colonies to 1796.[1]

The colonists were more concerned with the underlying principles of taxation than with the amount of the tax. The needs of each colony were few and simple, making the amount demanded insignificant. There were no heavy expenditures, no sudden fiscal demands; merely a small, steady expense account, which could be met without the aid of organized administrative machinery. In certain colonies the contributions were voluntary,[2] and were applied to the support of the colonial government and to the maintenance of schools, churches and highways.[3] But the colonists could not continue to rely on voluntary impulses when ex-

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[1] R. T. Ely, "Taxation in American States and Cities," Part II, Chap. I.

[2] In Massachusetts, about 1629, an appeal was made asking individuals to spare as much toward extinguishing debts as they possibly could. Charles H. Douglas, Ph. D., "Financial History of Massachusetts," pp. 14, 15, 19.

[3] F. A. Wood, Ph. D., "Taxation in Vermont," pp. 104, 108, 113; W. L. Ripley, Ph. D., "Financial History of Virginia," p. 87.

penditures began to increase. The honest and willing contributor soon became the shirking taxpayer. The absolutely necessary expenses of government had to be met, and the passage of laws requiring compulsory contribution became necessary.[1]

Thereafter colonial revenues were derived largely from fines, fees, forfeitures,[2] quit-rents, lotteries, tangible property and the sale of land. Grants of land[3] were made to officials, from which they were to meet the expenses of their office and pay their salaries. Direct taxes were levied upon all property[4] or the income from it, or upon the head.[5]

The poll tax was very popular. Inequalities arose from the taxation of visible property alone, and in order to equalize the burdens, resort was had to the income tax. For the most part, specific objects were selected as the basis of assessment, and specific rates were attached thereto.[6] Land was a most important object of taxation in New England. From very early times direct taxes and excise and import duties were levied, frequently being paid in kind.[7] Instead of any one prevailing system in the several colonies

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[1] "Financial History of Virginia," pp. 20, 21; "Taxation in American States and Cities," p. 109.

[2] "Taxation in Vermont," p. 28; "Financial History of Virginia," p. 21.

[3] The Council of Censors in 1780 said that land grants and confiscated Tory estates seem to have been a boon conferred by Providence for the support of our republic in its infancy while its subjects were unable to pay taxes. "Taxation in Vermont," p. 70.

[4] "Taxation in Vermont," pp. 25, 35, 36, 121; "Taxation in Virginia," p. 2; "Taxation in Massachusetts," pp. 17, 59, 78.

[5] "Taxation in Vermont," pp. 30, 35; 36; "Financial History of Virginia," pp. 21, 23, 29, 33, 35, 38, 41; "Financial History of Massachusetts," p. 29, states that the poll tax is by far the most interesting feature of Massachusetts' finances under its first charter.

[6] "Taxation in Vermont," pp. 34, 38; "Financial History of Virginia," pp. 25, 44.

[7] "Financial History of Virginia," pp. 17, 29, 32; "Financial History of Massachusetts," p. 32, states "Excise and imports were introduced as a means of easing the burden of direct taxation." Also pp. 78, 95.

(or States) during this period, great dissimilarities existed. In 1796 Secretary of the Treasury Wolcott, in his report, called the attention of the Federal government to the varied forms of taxation in the several States.[1]

The characteristics of local taxation in the United States at the close of the eighteenth century have been given as follows: "(1) Specific objects were usually selected for taxation rather than all property; (2) visible property bore all, or nearly all, the burden; (3) taxes were usually laid according to some fixed and arbitrary rule of valuation, rather than according to the selling value of the objects taxed."[2]

From 1796 to the Civil War.[3]

During this period many of the States adopted their present system of taxation, owing to the new conditions presented by the progress of the nineteenth century. Forms of property multiplied, objects increased rapidly in value because of the change in environment.[4]

With this increase in wealth arose a popular demand that the basis of taxation be broadened. Many new forms of property began to appear. Corporations,[5] railroads, the telegraph, telephones, banks, manufactures, multiplied as industrial factors. Invisible personalty augmented with incalculable rapidity. Cities increased in size and number, furnishing a cover for the concealment of the new forms of personal property. The great number of inventions, the multiplication of all forms of property, and the popular de-

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[1] Only Maryland, Rhode Island, New York and Delaware imposed taxes on the mass of property, real and personal; in the other States specific objects were designated. "American State Papers," vol. 7, p. 437, "Report of Mr. Oliver Wolcott, Secretary of the Treasury, on the increase of the Revenue," 1796.

[2] R. T. Ely, "Taxation in American States and Cities," p. 123; "Taxation in Vermont," pp. 34, 35.

[3] Dr. R. T. Ely treats this as the "transition period." "Taxation in American States and Cities," Part II, Chap. 3.

[4] "Taxation in Vermont," p. 37.

[5] "Taxation in Vermont," pp. 84-85; "American States and Cities," pp. 137, 138.

mand for universal taxes, constitute the main causes of the present system of State taxation.[1] The former specific taxes were abolished and the general property tax, at a uniform rate, was adopted. This tax was to be levied according to the selling value of the object.[2] In the early part of this period prosperity had been general and the people were wholly absorbed in their occupations. The burden of taxation was light, and little interest was taken in the construction of just tax laws or in their administration.[3] Hence few complaints were heard, the laws remained without scrutiny and did not change with changes in industrial life.[4]

From 1850, however, the demands of the State for revenue increased rapidly;[5] taxes became much heavier and complaint was made against tax laws and their administration.[6] In Connecticut, previous to 1819, the basis of taxation was net revenue, and all property was subjected to a fixed charge.[7] This prevented fraud. But in 1819 the value of the property was made the basis of taxation. There re-

[1] Connecticut adopted its present system about 1850; Ohio, 1846; Maryland, 1841; Virginia, 1852; New Hampshire, shortly after the Civil War; Pennsylvania, 1841; Louisiana, 1848; Vermont, 1855.

[2] By law of 1825, land was listed according to estimated value and no longer at a fixed rate. "Taxation in Vermont," pp. 47, 48, 121.

[3] "New York Tax Commission Report of 1871," pp. 9, 10.

[4] "Taxation in Vermont," p. 48.

[5] The aggregate taxation for New York State in 1850 was $6,312,787, while in 1860 it amounted to $18,956,024 ("New York Report, 1871," p. 10), and in 1861, $20,402,276.48 ("Taxation in American States and Cities," p. 457); aggregate tax in Ohio in 1840 was $1,755,539, and in 1850, $4,227,708, in 1860, $10,817,676 and in 1865, $20,870,828 (ibid., p. 456). Aggregate taxation for Chicago in 1850 was $25,270.87; in 1855, $206,209.03, and in 1860, $573,315.29 (ibid., p. 489). Aggregate taxation in Baltimore for 1851 was $270,503.93; 1855 was $634,030.22; 1864 was $1,023,831.99 (ibid., p. 481).

[6] "New York Tax Commission Report of 1871," pp. 9-10; "Taxation in Vermont," p. 42.

[7] The acreage of each farm, the general character of each lot and the dimensions, use, etc., of each building were readily ascertained, and the law then fixed the rate of assessment. "Report of Connecticut Tax Commission of 1886," p. 10.

mained no fixed way of determining value and fraud was at once practised. Before 1850 personalty was listed at 6 per cent. and realty at 3 per cent. of its true value. These conditions gave rise to the appointment of the first tax commission in 1843, for the removal of all unfairness from the existing tax system.

From the Civil War to the Present Time.

The increase in State expenses, the multiplication of property, the growth of cities and the changes in industrial life were the potent conditions which aroused the taxpayer and led to an investigation of all questions of taxation in the United States. The Civil War added to the burdens of the States. There was in consequence a decided increase in State expenses,[1] which brought into bolder relief the inequalities wrought by existing tax provisions. The systems of several States were adopted after the Civil War, but all were based upon the same principle of taxation. The general property tax was applied in all the States and the evils resulting were for the most part identical, if not parallel, in development. These evils have since changed only in degree, and may be regarded as giving us the general con-

[1] Massachusetts State taxation in 1861 amounted to $7,600,000; in 1869 to $21,921,569. In Ohio in 1861 to $11,071,000; in 1869 to $22,232,877 ("New York Tax Commission Report, 1871," p. 10).

In New York the aggregate valuation of property in 1862 was $1,449,303,948, and the aggregate yield of taxes was $19,456,288; in 1869, valuation, $1,860,120,770; taxes, $46,161,531. The valuation of property from 1860 to 1869 augmented 30.3 per cent., while the average rate increased 85 per cent., and the sums raised increased 140 per cent.

Estimated per capita, the aggregate of the State taxation, which in 1860 was $4.88, has since increased until in 1870 it was equivalent to $11.55 for each man, woman and child in the State ("New York Tax Commission Report, 1871," p. 14).

In Baltimore in 1855 total taxes yielded $634,030.22, and in 1860 $750,206.02, while in 1865 the total yield was $1,320,326.76 (Ely, "Taxation in American States and Cities," p. 481).

In Chicago total tax yield in 1861 was $550,968; in 1865, $1,294,-183.50, and in 1870, $4,139,798.70 (Ely, "Taxation in American States and Cities," p. 489).

dition of taxation which led to the creation of State tax commissions.

Real Property.—Though realty is visible and tangible, and hence capable of true valuation, yet it seldom receives its proper valuation, viz., that value which it would bring if placed at public sale. The assessment of both land and buildings varies from 50 per cent. to the true value.[1] The standard of valuation varies in the same county, hundred or district. The laws are complex, confused and inefficient in many respects, making it almost impossible for assessments of realty to respond to fluctuations in value. The owner, therefore, is in some cases made to pay heavier taxes than he should, while in others the State fails to receive its due revenue from taxes.[2] In many States realty bears more than its proportion of the tax, simply because it can all be seen and assessed, while other property cannot be discovered. In order to lighten burdens the demand is made that the exemption list be shortened by taxing churches and educational and charitable institutions.

Personal Property.—Personalty, for the most part, being intangible, and in consequence capable of easy transfers and concealment, repeatedly evades taxation. Notwithstanding the great progress made by the several States, the augmentation of wealth in cities and commercial centres, the establishment of new and the development of old industries, the creation of corporations of various kinds, and the rapid increase of population, the reports of State tax officials reveal the startling fact that assessed personal property has been decreasing gradually or only slightly increasing.[3]

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[1] "Taxation in Vermont," p. 61; "Report of Maine Tax Commission, 1890," p. 11; "Report of New York Tax Commission, 1871," p. 14; "Report of Connecticut Tax Commission, 1886," p. 8. All Commission Reports bring out the same facts.

[2] Of course I have reference here only to those cases where the assessments are at long intervals. Maryland had no general assessment between 1876 and 1896.

[3] From 1860 to 1880, according to the U. S. Census returns, the assessed valuation of personalty in all the States decreased from

This failure to assess personalty raises the rate upon those who return their property in full to an excessive amount.

In every State there can be found many persons advocating the taxation of mortgages. The main difficulty, if double taxation is to be avoided, is how to make the mortgage taxable to the owner.[1] Others advocate exemption because of difficulty of taxing the mortgage and also because of depression in agricultural districts. The taxation of mortgages under such conditions might cause their recall, thereby bringing financial ruin upon the mortgagor.[2]

The wisdom of exempting debts, book accounts, and municipal bonds from taxation has been considered in every State. By the deduction of debts, frauds are perpetrated and fictitious debts are created in order to evade the tax. Some demand deduction of debts[3] alone from credits,[4] while

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$5,111,554,000 to $3,866,227,000 (or by $1,245,327,000), while the assessed value of realty increased from $6,973,006 to $13,036,767.

In Brooklyn in 1892, personal property to the amount of $1,500,000 was dropped from assessment, and at the present time it is paying only 4 per cent. of the taxes levied ("Report of the Counsel to revise the tax laws of the State of New York, 1893," p. 8). Mayor F. C. Latrobe (Baltimore) said in his message, January 28, 1895, "Indications seem to show that people are either disposing of their personal property or it is failing to be discovered and assessed."

"The taxation of personal property is in inverse ratio to its quantity." E. R. A. Seligman in "Political Science Quarterly," vol. 5, 1890, p. 29.

In Vermont the valuation of personalty in 1866 was placed at $21,435,281; in 1870 at $21,555,428; in 1874 at $19,330,432; in 1878 at $16,845,123; in 1880 at $15,037,262. F. A. Wood, "Taxation in Vermont," pp. 60, 61.

[1] California, Massachusetts, Oregon and Pennsylvania endeavor to tax the mortgagee.

[2] The plea of Maryland.

[3] "Taxation in Vermont," p. 62: By act of 1880, no deduction could be made for debts owed unless the statement contained the name and place of residence of each person to whom the taxpayer was indebted and the amount owed each." Also, pp. 67, 122: "The changes in the present law most frequently suggested in recent years have been exemption of mortgages from taxation and deduction of debts on real estate from the valuation of real estate," p. 122.

[4] Indiana, Iowa, Massachusetts deduct debts from credits; New

others demand complete deduction from all property.[1] To tax book accounts and merchandise is considered double taxation, and because of this and the uncertain value of accounts many claim that exemption is proper and just.[2]

Corporations.—The opinion is quite generally held that corporations are not contributing to their full ability.[3] Railroads, insurance, telegraph, telephone, express, safety deposit and trust, parlor car and sleeping car companies, it is thought, should increase their contributions. There is divergence of opinion as to the best and most just way of estimating the ability of the corporation. The taxation of gross receipts, of net receipts, and of the franchise and capital stock have been urged.[4] Questions arise also as to the taxation of foreign corporations, so as at the same time to deal justly with the domestic corporation.

Savings banks have been almost exempt from taxation. But of late years they have attracted attention by their alleged misuse. They have become places of deposit for the wealthy, who thus strive to escape taxation, and moreover, they have gone into local fields and withdrawn much property from taxation. They have also been large purchasers of national bank stock, in competition with private citizens; having no taxes to pay, the banks can bid higher. The problem presents itself, what shall be done to restore fairness and cause the bank to resume its original function?

York, from money and credits ("Pennsylvania Tax Commission Report of 1890," p. 187).

[1] Illinois allows all bona fide debts, except subscriptions or insurance notes and debts of banks, to be deducted ("Pennsylvania Tax Commission Report, 1890," p. 187). Pennsylvania makes no deductions on account of debt.

[2] Maryland Tax Commission Report, p. 16.

[3] Maine Tax Commission Report, pp. 64, 66; Maryland Tax Commission Report, p. 60.

[4] These are brought out in Chapter III of this work, where the recommendations of the commissions are considered. The revenue from corporations' taxes has been increasing in Vermont, and since 1890 has formed the greater part of the ordinary commonwealth revenue. In 1883 $196,678.51 was received; in 1890 $250,285, while in 1892 $335,992.64 was received. "Taxation in Vermont," p. 97; Maine Tax Report of 1890, pp. 64, 67; Ohio Tax Commission Report, 1893, p. 70, also 49, 51.

National bank stock has in many States escaped taxation, being made taxable where the owner resides. The situs of personal property does not seem to be a settled principle. Massachusetts[1] has continually claimed *mobilia personam sequuntur*, while New York, among others, denies the right of any State to tax visible and tangible property outside of the State, though the domicile of the owner be within the State.

The policy of discounting taxes upon their prompt payment before a fixed date is pursued by several States, but its justice is challenged by others, upon the ground that the custom creates inequalities and is enjoyed entirely by those best able to pay taxes.

In the endeavor to assess property which has been continually escaping taxation, very general use has been made of the oath.[2] Though by its application some property is assessed that would otherwise evade taxation, yet of late years its net benefit has been doubted, because of its harmful effect upon public morality.

With the expenses of the States increasing rapidly, and with personalty paying a decreasing proportion, owners of real estate and tangible personalty must expect heavier taxes if there is not an extension of the basis of taxation. Several comparatively new taxes have been proposed, namely, on business,[3] on income,[4] on inheritances[5] (direct and collateral), and the single tax on land.[6]

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[1] Massachusetts says personalty follows the owner, but if the owners of property in Massachusetts live in another State, that rule is not followed, and the man is taxed on his property.

[2] Massachusetts, Connecticut, Ohio, Illinois, Iowa, Wisconsin, Kansas, Minnesota, California, Rhode Island, West Virginia, Kentucky, South Carolina, Arkansas, Oregon and other States apply oaths in assessment. Pennsylvania, Michigan, Georgia and other States do not apply the oath.

[3] Tax Commission Report of Ohio, 1893, pp. 18, 47.

[4] Tax Commission Report of Massachusetts, 1894, pp. 33, 34; also 1895, pp. 48, 55.

[5] Tax Commission Report, Massachusetts, 1894, pp. 20, 25; Ohio Report, 1893, p. 62; Maine Report, 1890, pp. 58, 63; Dr. Wood, "Taxation in Vermont," p. 123.

[6] Massachusetts Report of 1894 considers it also.

The evils of taxation in every State can be traced either to the laws themselves or to their administration. The inequalities in taxation are frequently held to arise rather from careless assessments, from inadequate means of equalization and from a lack of supervision than from the crudity of the laws which declare what shall be the objects taxed.[1]

[1] The problem of taxation is stated in detail in Table No. I, and also in Chapter III, where the evils in each State are considered and also the recommendations of the commission. The purpose of this chapter has been to give in a brief way the reasons for the study of the tax commission.

CHAPTER II.

The State Tax Commission.

The prevalence of the evils of taxation, as described in the previous chapter, led to the creation of the State tax commission. These evils are not the immediate consequence of the adoption of the present State systems of taxation, but many of them in essence existed prior thereto. Hence it is not surprising to discover that some effort was made to remedy these evils before the creation of the State tax commission. Instances occur where functionaries of the State, both individuals and boards, in contact with the working of the tax laws and observant of its failures, have been requested to present some account of the precise condition of taxation as seen by them, and of the attitude of the people toward the administration of the laws, and finally to recommend what they deem essential for the improvement of the present tax system. It was not, however, until the year 1843 that the so-called State tax commission had its genesis. It was an innovation and remained so for a number of years, when its effectiveness began to be noted.

Not only the injustice of the tax laws and their faulty administration, but also rapid changes in the laws of certain States awakened taxpayers of adjoining States to consider the advisability of creating commissions. It was very possible for a State to so alter its laws with reference to the taxation of certain industries and forms of property as to attract important industrial factors of contiguous States.[1] In a few States inequality in taxation became a subsidiary evil, and the desire to retain present industries and attract those of sister States by exemption or comparatively light taxation came forward as the most important consideration.

[1] Pennsylvania, New Jersey, New York and some of the New England States had this experience.

The State tax commission was created to study the above conditions and to propose corrective measures.

Creation and Composition.—A State tax commission is entirely a creation of the State legislature. This body defines the duties and the powers of the commission and provides for the appointment of those who shall constitute it. The power of appointment is generally delegated to the governor of the State, but in some cases his council assists him. The commissioners are ordinarily representatives of specific classes of industry. In some cases the legislature appoints the commission and occasionally makes the appointments from its own members.[1] The Revenue Commission of Pennsylvania, created in May, 1889, was composed of eight citizens, each of whom was appointed by a different authority. Here we have the Senate, the House, the Auditor-general, the Governor, the State Grange and Secretary of Internal Affairs given appointive power.

The acts often provide that the commission be made up of men of different political convictions.[2] The act creating the commission of Iowa of 1892 provided that the agricultural class be represented on the commission in that ratio which the assessment of the agricultural property bears to the assessment of all other property in the State.[3] The number composing the commission has varied between two and twelve. Their existence has generally been for one year.[4]

Duties.—The duty of the commission is to investigate the alleged evils, to discover whether they exist, and, if their existence be shown, to find the cause and to prescribe remedies or reforms. The commission is to inquire into the valuation put upon property and to observe whether one uniform rule is followed. Its members are to endeavor to devise means by which invisible personalty may be reached; they are to suggest ways in which the tax rate may be low-

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[1] Special Committee on Taxation of Massachusetts, 1893; New York, 1862, 1892; Connecticut, 1843; Oregon, 1890.
[2] Iowa Commission of 1892, and that of Ohio, 1893.
[3] Iowa Tax Commission Report, 1893, p. 5.
[4] See Table No. I.

ered; they are to revise, simplify and codify the laws concerning taxation;[1] they are to analyze thoroughly the administrative machinery and recommend advantageous changes.

In order to alter the laws in any way, the commission must be acquainted with the constitution of the nation and of the State. This information will enable them to form boundaries within which they may formulate their opinions and suggestions; or it may inform them what changes must be made in the constitution in order that its recommendations may become law. Whatever, however, may be the benefit of an acquaintance with the constitution, it is the duty of the commission to refer to it, for no intelligent recommendation can be made unless a knowledge of the constitutional limitations is possessed.

It is also the duty of the commission after completing their researches to present their opinions and alterations recommended, in the form of a report to the legislature. Frequently the demand is for increased revenues, while property is already heavily taxed. An investigation of the tax systems of other States is therefore often made in order to discover a method of securing the requisite amount of revenue without augmenting the taxes of those already contributing. It is essential that the commission should inform themselves in every particular if the problem is to be solved.

Powers.—In some States the acts creating the commission minutely define the powers of the commission. Where the powers are not enumerated the commission is regarded as an official body, enjoying access to all governmental records and papers, and empowered to enforce the law against all individuals opposed to its purpose.

The enabling acts of the Ohio commission of 1893 may be taken as illustrative of the powers customarily possessed by all commissions. This commission was empowered to

[1] New Jersey State Board of Taxation Report, 1892, p. 34; Massachusetts Report, 1894, p. 1; Maine Report, 1890, p. 86; New York Report, 1893, Counsel, p. 5.

compel the attendance of all persons within the State whom it deemed capable of giving information. It could secure all figures, reports and pamphlets which dealt with the varied interests of the State. Not only were papers to be brought, but individuals were compelled to appear and testify when summoned, and, upon refusing, they were liable to arrest and punishment by the commission in the same manner as provided for in courts of justice in the State. Those who testified falsely were liable to the penalty prescribed for perjury.

Methods.—In the analysis of the evils of taxation various means are utilized. The first source of information is naturally the experience and opinion of administrative officials, assessors, collectors and all coming closely in contact with taxation in an official way. Circulars are customarily addressed to these functionaries requesting them to appear in person before the commission or to submit a statement of their objections to the law itself and its execution, with the result of the taxes levied upon the property in the State and their suggestions respecting corrections.[1] Not

[1] Some of the questions sent in circulars throughout the State for gaining information by the Commission of New Hampshire, 1876, were the following (p. 52):

Can a better general system of taxation than our present one be devised?

What are the general outlines of such better system?

What changes in the present system, retaining its general form, can be made to render it more equal and more effective?

In what proportion should polls be taxed as compared with taxable property?

Should mortgaged real estate be taxed at its full value to the mortgagor and mortgagee in proportion to their interests?

How should railroad property be taxed? How deposit in savings banks?

What more effective provision of law can be adopted to prevent concealment of property to evade taxation?

What provisions can be adopted to secure equality and uniformity in the valuation of property in different towns?

Should the property of religious, educational and charitable institutions be exempted? To what extent?

Should town, county or State property be exempted?

only are officials requested to appear before the commission, but letters are often addressed to citizens of recognized ability who are well instructed in the theories of taxation and the practical working of the different forms. Sometimes the opinions of these men are placed in the report.[1] Men of all occupations are requested to present their opinions verbally or by letter. Dates are in many instances fixed when the commission will sit at certain large cities within the State, and testimony from all individuals is urgently requested.[2] Advertisements and notices of the convening of the commission in certain districts are placed in the daily papers, and every effort is made to have the whole subject thoroughly discussed. Communication is often opened up with officials of different States, so that tax commission reports and all reports upon taxation may be secured, all of which are closely examined. Not only reports on taxation, but the laws of the different States are

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Should property in mines, quarries and the like be taxed separately from the real estate in which located? and how?

How should ships and sea-going vessels and vessels navigating inland waters be taxed?

What changes should be made in the classes of personal property to be taxed.

What changes should be made in the mode of assessing or collecting taxes?

What changes should be made in school district and highway taxes?

Should towns be authorized to exempt any property from taxation?

And, generally, what improvements can you suggest in any provision of the laws touching the subject of taxation?

[1] Thus, attached to the Report of the Massachusetts Commission of 1875, were able papers by President Charles W. Eliot, of Harvard University; Francis E. Abbot, President of the Boston Liberal League; Professor A. L. Perry, of Williams College, and others.

[2] In the report of the Joint Committee of the Senate and Assembly of New York, 1893, there are nearly 600 pages devoted to the testimony taken from men representing all occupations. The Report of the Commission of the District of Columbia also contains testimony taken during investigation. See also the Massachusetts Report of 1894.

critically examined to see if they contain any principle applicable to present conditions.[1] Frequently members of the commission visit certain States, in order to study at first hand the system there in operation. In addition to the above sources, authorities on taxation, treatises and books are consulted. Every endeavor is made to present a bill to the legislature which will act as a palliative if not as a complete remedy.

The Report.—It has already been said that at the completion of its investigation the commission presents a report to the governor or to the legislature. This report is a simple compilation of the findings and recommendations of the commission. In general, the act creating the commission precedes the report proper; this is followed by a statement of the condition of taxation in the State, together with the proposed remedies for the extermination of the evils. These recommendations are formulated in the appendix in legal form and denominated a "bill." The report has, of course, no legislative force, *per se.* The report often contains a history and minute account of the working of the commission and other matters relating to taxation.[2]

When the report is passed to the legislature an order is made to distribute printed copies among the members, with a view to instructing them in the condition of the tax

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[1] The Maine Commission Report of 1890, p. 4, says: "We proceeded to collate and arrange in order an epitome of so much of the tax laws now in force in the several States as are materially different from those of Maine." The Commission of Connecticut of 1868, p. 5, said: "Many of the suggestions gathered, more especially from the tax code and tax department of Massachusetts, have been of essential service and have been incorporated in the provisions of the bill now presented."

[2] In the Report of the Commission of New York, 1862, is a digest of the mode and machinery of taxation then existing in other States of the Union. The Report of the Commissioners of New York, 1871-72, contains opinions upon the taxes of England, Wales and Paris. Local taxation in Southern Canada is discussed and mooted questions treated. The Massachusetts Report of 1875 gives the results of the study of taxation in all the States and foreign countries.

laws and the administrative machinery in constant use in the State. In addition, the report states clearly what reforms are needed and how they can be made. The opinions of the people are considered, the complaints made and the reforms demanded are closely analyzed, so that lawmakers may determine wisely the direction of future enactments. Copies of the report are distributed not only to the legislature, but also, generally, among administrative officials, and to individuals who request them. The tax official is thus informed of his neglect of duty and its consequence, and of the means to be adopted fully to perform his duty. In other words, modern tax methods are placed before the officials and antiquated or inefficient methods are discredited. Legislators, administrative officials and the interested public are informed by these reports of the progressive thought of the day respecting taxation and the reforms which are being enacted by other States and foreign countries.

Since the Civil War the State tax commission has unquestionably been an effective institution, so far as the analysis of existing tax systems is concerned. The institution has been adopted by several States, and of late years the number of commissions has greatly increased. As far as can be learned, the following commissions have been created:

1. The State Tax Commission of Connecticut, 1843.
2. The Joint Select Committee of New York, 1862.
3. The Tax Committee of Pennsylvania, 1867, consisting of Auditor-General, Secretary of State, and State Treasurer.
4. Special Tax Commission of Connecticut, 1867.
5. The State Tax Committee of New Jersey, 1868.
6. The Tax Commission of New York, 1870.
7. The Tax Commission of Massachusetts, 1874.
8. The Tax Commission of New Hampshire, 1874.
9. The Special Tax Commission of New Jersey, 1879.
10. The Special Tax Commission of Connecticut, 1880.
11. The Joint Tax Commission of New York, 1880.
12. The Tax Commission of West Virginia, 1884.
13. The Tax Commission of Connecticut, 1884.
14. The Tax Commission of Illinois, 1885.
15. The Tax Commission of Oregon, 1885.

16. The Tax Commission of Maryland, 1886.
17. The Revenue Commission of Pennsylvania, 1889.
18. The Special Tax Commission of Maine, 1889.
19. The Tax Commission of New Jersey, 1890.
20. The Tax Commission of Oregon, 1890.
21. The Tax Commission of Delaware, 1891.
22. The Special Tax Commission of the District of Columbia, 1892.
23. The Tax Commission of Iowa, 1892.
24. The Counsel (Tax Commission) of New York, 1892.
25. The Joint Committee of New York, 1892.
26. The Tax Commission of Ohio, 1893.
27. The Special Committee of Massachusetts, 1893.

CHAPTER III.

Summary of Reports and Recommendations made by the Commissions.

No one common cause, no particular event, no sudden appearance of menacing phenomena in the field of taxation can be said to have led to the creation of State tax commissions in the several States. The tax problem, always with us in some form, has waxed strong in the last half-century, and has threatened to impede social and industrial progress. In the following pages existing conditions and proposed reforms in commonwealth taxation are summarized.[1]

CONNECTICUT.

(*a*) *Tax Commission of 1843.*—Previous to the adoption of the State Constitution of 1819, Connecticut had a system comparatively free from the evils of its present tax laws. A tax was levied upon income and not upon property. Real estate was not assessed at its estimated value, but upon

[1] It will be observed that the Southern States have not created any commissions. Professor Seligman has undoubtedly given the proper explanation of this fact. "In the Southern States up to the Civil War, the interests of the large landed proprietors were still dominant. Under the Federal Constitution it was impossible for them to levy import or export duties. For a time, therefore, land, as the only source of wealth, had to defray the public charges. In the absence of industrial centres, there was little opportunity for taxation of personal property. As the need of increased revenues was felt, the landed interests attempted to secure this revenue from the few ordinary occupations carried on outside of the farms and estates. In other words, the license or privilege system was established, which levied a fixed charge on well-nigh every occupation. It was not until after the middle of the century that the general property tax was introduced; but even to-day the license or privilege taxes yield a large share of the public revenue." "Essays on Taxation," p. 20.

what was considered to be its annual earnings.[1] Houses and other structures, according to their materials, size and number of fire-places, were taxed at a rate fixed by statute. Taxation being thus regulated by statute, assessors could not attach fictitious values to property. All equalizations were performed by the General Assembly, to whom the assessment lists were returned. Under-valuations could not thus well arise. After 1819 the income tax was superseded by a property tax. With this change came difficulties and inequalities. A board of equalization was appointed in 1820, but failed in the performance of its duties, because of the other official functions of its members. In 1843 the General Assembly of Connecticut created a State tax commission to study minutely the administration of the tax laws and the effects of such administration upon the property-owners, and to report to the Assembly the changes requisite to make the tax system more just. The report was made in 1844, with the following recommendations attached:

(1) That every taxpayer be compelled to list his entire property, valuing it item by item if realty, but as a whole if personalty (except bank stock). This list must be sworn to be true.

(2) That the list be open for public inspection.

(3) That the board of equalization be abolished.

The above recommendations were not adopted by the Assembly simply because existing taxes were very light.

(*b*) *Tax Commission of 1867.*—The evils which claimed the attention of the commission of 1843 presented themselves again to the General Assembly in 1867, and led to the appointment of a second tax commission. Additional difficulties had arisen since 1843. In 1867 there was not only under-valuation, but also the escape of corporate stocks and similar property, the practice of fraud because of the exemption of debts, and the existence of inequalities be-

[1] The best meadow land was taxed $2.50 per acre; plough land at $1.67; pasture at $1.34; wood lots at 34 cents. These were the incomes supposed to arise from the ownership of such property.

cause of the lack of supervision. The commission presented a bill with the following provisions, designed to correct the defects of the existing system:

(1) That a State tax commissioner be appointed to regulate and collect taxes due from corporations, to exercise advisory supervision over the entire administration of the tax laws, thus securing uniformity of action among the local officers throughout the State, and to cause a revaluation of all taxable property in every town in the State, by means of State assessors appointed by him. This commissioner was to hold office for five years.[1]

(2) That the tax commissioner should tax the franchise and property of all corporations by the following uniform rules: (a) mining and quarrying corporations and those dealing in lands, incorporated in the State or doing business in the State, should pay a tax of one-twentieth of one per cent. upon their capital stock at par value; (b) for other corporations than the above, the market value of the aggregate shares should be ascertained, and also the aggregate value of its real estate, after which the latter should be deducted from the former, the remaining value being taken as the true value of the corporate franchise. The average rate of taxation throughout the State should be then applied to this true value.

(3) That a board of appeal should be established wherein all questions of grievance could be heard and determined.

(4) That an annual exhibit should be made in the General Assembly of the practical operation of the tax laws; and that once in five years a full and clear exhibit of all taxable resources of the State be made to the same assembly.

(5) That debts should be no longer exempted, but that both debtor and creditor be taxed.

(6) That all property within the State, whether the owner were a resident or not, should be taxed.

(7) That savings banks should be exempted for all sums under $250 standing to the credit of any one depositor.

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[1] The Legislature did not accept this recommendation.

(8) That bonds not specially exempted should pay a tax of eight-tenths of one per cent. on par value. The State treasurer was instructed to deduct and retain one-half the tax from the semi-annual interest coupons of said bonds as they become due and payable.

(9) That the tax upon corporations should be distributed among the respective towns in proportion to the amount of stock held in these towns. Hitherto the entire tax had been paid into the State treasury.

(*c*) *Tax Commission of 1880.*—The General Assembly made no important alterations in the tax system of the State in accordance with the recommendations of the tax commissions of 1843 and 1867. In consequence the old problems recurred, and a third tax commission was created in 1880. Undervaluation of realty and the almost complete escape of personalty had become the great evils.[1] The recommendations of the commission were: (1) the assessors' term of office be lengthened; (2) that the penalty for failure to make out lists of property and for imperfect valuation be increased; (3) that a tax commissioner be appointed with revisory powers; (4) that a commission be appointed to prepare in detail for the consideration of the next legislature a complete and perfect tax law in place of the present system. The tax commissioner was to be appointed by the Governor, with the advice and consent of the Senate, for three years. Once during his term he was to visit every town and observe the administration of the tax laws. He was to be a member of the State Board of Equalization, and was to report annually to the board the results of his observations throughout the State. He was also to make an annual report to the General Assembly.

(*d*) *Tax Commission of 1884.*—Three commissions had successively studied the problem of taxation in Connecticut, yet not one of the recommendations of these bodies had been adopted by the legislature. Faith in the efficacy and

[1] In 1875 intangible property made up only 5 per cent. of the whole taxable property.

power of the institution remained strong, and again in 1884 a commission was created. This commission submitted two reports to the legislature, one in 1886 and the other in 1887. The preliminary report of 1886 recognized the impossibility of securing true and fair valuations, especially with respect to State taxes, by the existing system, and recommended a radical change in the system of apportionment by resorting to population instead of property as the basis of contribution.[1] The adoption of this system of apportionment would prevent evasion of the tax and escape of property. Should the plan fail of adoption, the appointment of a tax commissioner was recommended, whose functions should be the same as those suggested by previous commissions.

The innovation presented in the preliminary report was not adopted by the legislature. This failure led to the presentation of a final report in 1887. It was understood that no radical change in the principles of the existing tax system would be tolerated, hence the recommendations made were merely suggestions for the improvement of the old machinery and of the old laws. The problem before the commission was very similar to that presented to its predecessors—undervaluation, escape of personalty, excessive taxes upon real estate, cattle taxed without regard to quality or value, inaccurate enumeration of houses, unjust

[1] "To illustrate the practical working of this method of assessment, let us assume that the State tax laid on the towns by the assembly will be one and one-quarter mills on the amount of the grand lists of the State last completed. This amount is $349,977,339, and one and one-quarter mills upon it would raise $437,441. The number of children in January, 1833, between the ages of four and sixteen was returned at 151,069. If, instead of imposing a tax of one and one-quarter mills on the grand list, the assembly should impose one of the same sum ($437,441) in gross, to be paid by the several towns respectively in proportion to the number of children of school age in each according to the last enumeration, it would require each town to pay $2.89 for each child belonging to it according to the returns. This amount would be a little more than the towns received last year from the school fund and the State appropriation, these sums amounting together to $2.30." Report of the Tax Commission of 1886, p. 12.

corporation taxes. The following recommendations were made:

(1) That a tax commissioner be appointed, with a tenure of office of four years, and with the duties prescribed in commission report[1] of 1880.

(2) That the listing system be enforced. Lists with different forms of property named upon them should be annually distributed among the taxpayers, who must return them signed to the assessor.

(3) That realty be revalued every five years, and that buildings should be assessed separately from land.

(4) That tangible personalty, because of its continual escape, should be struck from the list of taxables.[2]

(5) That money on hand be exempt from taxation.[3]

(6) That shares of stock in foreign corporations owned by residents should be exempted, in order to avoid double taxation, since such stock would probably be taxed where the incorporation was granted.

(7) That corporations issuing stock should, upon application for a charter, pay to the treasurer of the State $100, and upon incorporation and before entrance into business pay in addition an amount of money equivalent to one-tenth of one per cent. on the par value of the shares issued.[4]

(8) That every corporation, except railroads, express, telegraph and telephone companies, ecclesiastical societies, cemetery associations and corporations not exempt by law, should pay annually to the treasurer of the State a tax

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[1] Commission Report of 1887, pp. 15, 53-54.

[2] Commission Report of 1887, p. 27: One town, and that by no means the wealthiest, out of one hundred and sixty-seven in the State, paid more than one-eighth of the entire tax on bonds. Eighty-one towns returned no bonds and one hundred and twenty-one towns no stocks.

[3] The commission considered it unjust to tax money when it was bringing in no income to the owner. Had it been bearing interest, the commission would have recommended its taxation. Forty-three towns in 1885, according to the list returned, had no money on hand. Commission Report, 1887, pp. 29-30.

[4] Commission Report of 1887, pp. 31-32.

upon its corporate stock of one-fiftieth of one per cent. on the total par value of all the shares of its capital stock issued. The treasurer or cashier of the corporation must make return stating the actual par value of the capital stock under oath.[1]

(9) That every railroad company should pay annually one per cent. of the valuation made and corrected by the Board of Equalization of its capital stock and a further tax upon the par value of its funded and floating indebtedness.[2] The existing law fixed the value of the railroad property by accepting the market value of the stocks and bonds and floating debt of the company, and imposed thereupon a tax of one per cent. The cash in hand was deducted from the assessed value. The stock of a dividend-paying road has a definite market value according to the rate and the regularity of the dividends paid. The market value of non-dividend paying stock, on the other hand, is largely speculative, and the full taxation of the road becomes difficult. This led the commission to make the above recommendation.

(10) That collateral inheritances (strictly public and charitable gifts being excepted) be taxed at the rate of 3 per cent. on all legacies over $1000.[3] This tax had never been levied in Connecticut.

NEW YORK.

(*a*) *Tax Commission of 1862.*—The General Assembly of New York in 1862 by resolution appointed a select committee for the investigation of the system of taxation in operation in the State. The Senate also, in April 1862, by resolution created a special committee to examine "the assessment and taxation of this State and other States." Both committees were to report a bill to the respective bodies creating them upon the completion of their work.

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[1] Commission Report of 1887, p. 33.
[2] Ibid., p. 56.
[3] Ibid., p. 58.

These committees having about the same task before them, decided to join forces and pursue the work conjointly.[1]

New York had developed rapidly and her interests had become more varied. An agricultural State had been transformed into a commercial and manufacturing State. During this period the tax laws of the State had remained, for the most part, unchanged; in consequence some forms of property contributed while others escaped taxation. Specific complaint was made of undervaluation, escape of personalty, the fraud practiced because of the deduction of debts from value of property, and the existing method of taxing corporations. A general demand was made for reconstruction of the tax laws as a means of encouraging the introduction of large industries.

The report of the commission was submitted in February, 1863, and contained the following recommendations:

(1) That "true value" should mean "actual local market value of property."

(2) That the "listing system" be adopted and each taxpayer be compelled to list his property in detail upon oath.

(3) That the assessment roll giving the aggregate value of the property assessed be exposed to the public.

(4) That the existing board of supervisors of assessment be abolished, and that a county board of assessment consisting of three freeholders be substituted in its place.

(5) That the State assessor be elected for three years, and be required to visit, examine and value real estate in every county of the State once during five years.

(6) That the comptroller apportion the real estate between the counties.

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[1] The Joint Committee reported a digest of taxation in the U. S. under the following heads: (1) Mode and Machinery of Taxation, (2) Standard of valuation, (3) Property liable to and exempt from taxation. For their own use the committee reduced to the form of a digest the assessment and tax law of Great Britain. Yet they did not draw their recommendations from this source, as they regarded American tax problems peculiar to the States themselves.

(7) That the deduction of debts from the value of both real and personal property be allowed.

The commission was in fact opposed to deduction, recognizing the liability of fraud in consequence of such an exemption. The recommendation was made because of the demands of many influential citizens, and because of the radical change in the practice of the State which its omission would have caused. Amendments of the law were recommended, so that fraud could be in some degree prevented. Heretofore liabilities had been deducted from the assessed value of personalty and not from realty. This was clearly unjust, said the commission, and they recommended that the law be amended so as "to allow the payment of that portion of the tax levied upon real estate which is the quota representing the value of the mortgage thereon when paid by the mortgagor, to be in his hands a set-off to the payment of so much interest or principal upon the mortgage, except in cases where the mortgage, as a basis of a capital under the existing law of the State, is liable to taxation in the hands of the holder at home."

(8) That both realty and personalty be taxed, and not simply realty; but personal property deposited with savings banks and life insurance companies should be exempt to the amount of $250 to each depositor.

(9) That banking and insurance companies should not be taxed upon their aggregate capital, as provided by existing law, but upon this less all mortgages held as capital.

(10) That life insurance companies be taxed upon the amount of capital stock authorized in the charter and also upon their earnings, with deduction for the present net value of outstanding policies.

(11) That railroad companies be compelled to return a list of their taxable property in the localities to local assessors and also to the State assessors. The real estate should be assessed in their respective towns, but the personalty in that place where the principal office of the company should be located. The State assessor should apportion the aggre-

gate valuation of personalty to the sections traversed by the road. This should be added to the valuation put upon the realty.

(*b*) *Tax Commission of 1870.*—There is no evidence of any recognition by the legislature of the recommendations of the commission of 1862; certainly no check was put to the existence of the evils complained of,[1] while new problems presented themselves. One of the most important of the new problems arose from the changes made by several neighboring States in methods of assessing, valuing and exempting property, the purpose of these changes being to lure industries and capital of New York into other States.[2] In 1870 a tax commission was appointed to consider these evils. Two reports were made, one in 1871 and the other in 1872.

Report of 1871.—Two ways of solving the problems presented themselves to the commission: either reform the present system by amendment or construct an entirely new system of taxation. Under the first method the commission made the following recommendations:

(1) That a central authority be created, consisting of either a single commissioner or a board of commissioners of taxes. This officer was to be removed from political influence and the tenure perpetual. The duty of the officer was the enforcement of tax laws. Hitherto there was no supervisory council, each official executing his duty as he interpreted it.

(2) That realty be revalued when the central authority considered the evidences of error warranted it.

(3) That the listing system should not be used, nor the oath which generally accompanies it, because of its demoralizing influence.

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[1] Realty was valued as low as 20 per cent. of its true value. In 1868 it was said that 30 persons could be named whose personalty amounted to more than that reported.

[2] The States were New Jersey, Pennsylvania, Vermont, Maine and Lower Canada.

(4) That intangible property be exempted from taxation, as simply a sign of existing visible property. Especially should it be exempted when its *situs* is a matter of conflict in the laws. A direct tax should not be levied upon personalty in the hands of individuals, because it is beyond the reach of any power of constitutional law and also because it would be inexpedient. Especial objection was made to the existing practice of New York in holding that invisible property, bonds, promissory notes, choses in action, had no *situs* except with the owner, and hence only taxable where the owner resided.[1] Visible tangible property beyond the State should be exempted in full. Negotiable instruments and similar evidences of property should be taxed only where they have their *situs*.[2]

(5) That debts should be exempted in full.

(6) That mortgages should be free from all taxation, in order to stimulate building and land improvement and thus increase the visible tangible wealth of the State.

(7) That savings banks be exempted.

(8) That corporations should not be taxed so long as it is possible to do without their aid, since a tax raises the cost of production, thus increasing the price to the consumer, who finally pays the assessment.

For the adoption of a new system[3] of taxation the commission made the following recommendations:

(1) That all corporations monopolistic in nature should be taxed. This would include gas companies, national banks (to be reached through the stockholders), State banks, railroad corporations, steam and horse omnibus companies, ferry and bridge companies. Private bankers competing with national and State bankers should be assessed (the suggested tax is one upon the license). The surplus of savings banks should be taxed, and fire insurance and trust

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[1] Tax Commission Report of New York, 1871, p. 46.
[2] Ibid., pp. 48-49.
[3] Ibid., pp. 52-61.

companies should be assessed on their franchise proportioned to their capital and business moderately.

(2) That a central body should be constituted in order to supervise administration.

(3) That railroads should be separated from the minor division and assessment allowed alone to the State. A number of individuals should be denominated to assess annually at a given rate the corporate franchise at a valuation equal to the aggregate market value of its stocks and funded and floating debt, less cash on hand; and that in consideration therefor the said corporation be exempt from all other taxation.[1]

(4) In order to reach personal property two plans were submitted: (a) tax the house and buildings as real estate separately, at the same rate of valuation as the land, that is, fifty per cent.; and then, assuming that the value of the house or buildings, irrespective of its contents, is the index of the personal property of the owner or occupier, tax the house or the building on a valuation of fifty per cent. additional to its real estate valuation, as the representative valuation of such personal property. In other words, the plan was to tax the land separately on fifty per cent. of its fair marketable valuation, and to tax the building apart from the land as representing the owner's personal property on a full valuation.[2] (b) Tax buildings conjointly with land as real estate at a uniform valuation; and then, as the equivalent for all taxation on personal property, tax the occupier, be he owner or tenant, of any building or portion of any building used as a dwelling, or for any other purpose, on a valuation of three times the rental or rental value of the premises occupied. Tenement-houses occupied by more than one family, or tenement-houses having a rental value not in excess of a fixed sum, should be taxed to the owner or occupier.[3] Any personal property not included in the

[1] New York Tax Commission Report of 1871, p. 54.
[2] Ibid., pp. 54-55.
[3] Ibid., p. 55.

above system was to be exempted from all taxation. The great good that would be brought about by the adoption of either of these systems of valuation, as stated by the commission, is worthy of notice. They said: "There would be freedom from multitudinous taxes, espionage and vexations; freedom from heedless official inquisitiveness and intrusions; freedom from the hourly provocation of each individual in the State to concealment and falsehoods; freedom of industry; circulation, competition everywhere."[1] This claim is almost equivalent to absolute freedom from taxation. Under these circumstances it seems hard to think that the legislature would not enact the recommendations into law.

(5) A limit should be placed upon the rate at which taxes may be levied in one year.

(6) Any person alleging unjust assessment should have the privilege of stating his claims before the assessors or tax commissioners, sitting as a board of review.

These proposed reforms were submitted to the legislature, with the desire of the commission that no action be immediately taken, so that the people might consider the effects of such a change in the tax system. This request was granted, and in 1871 the legislature authorized the same commission to report a draft of a tax code with estimates of expenses and collection thereunder. This was to be presented to the legislature in 1872.

Report of 1872.—The report of 1872 covered the same ground, for the most part, as that of 1871. The important recommendations of the report were the following:

(1) That the occupier of every building used as a dwelling or for any other purpose be taxed, whether owner or tenant, on a valuation of three times the rental value of the premises occupied.

(2) That the county boards of supervisors be prohibited from levying a tax without special authority from the legislature on any town in excess of one per cent., or in any ward

[1] Commission Report, II, p. 59.

or city in excess of two per cent. on the total valuations of the assessment roll thereof.[1]

(3) That as few things as possible should be taxed. The "diffusion theory" of taxation was strongly affirmed by the commission.[2]

(*c*) *Tax Commission of 1880.*[3]—The reports of the commission of 1870, though made by able men and accepted as able documents, effected no legislative reform. The problem of taxation remained complicated and unsolved. Effort was again made in 1880 to provide a partial solution. In that year a State tax commission was created by the Assembly "to provide revenues for the State government by a special tax on corporations and particular classes of business, and thereby to limit the general taxes to be imposed in the local communities exclusively for the support of local governments." The endeavor was made to eliminate State taxes upon burdened real estate and to compel a larger contribution from personal estate, which had by evasion and fraud escaped taxation. The commission revised three important acts,[4] by which (1) obscurities of expression were made clear, and (2) constitutional defects considered, and (3) details of an administrative character were made more perfect. The following bills were also presented: (1) To exempt from all State and local taxation vessels registered in any part of the State of New York, owned by American citizens or corporations or organized under the laws of the State of New York and engaged in ocean commerce, and to exempt for a limited period the capital stock, franchise and earnings of such corporations from taxation for State and local purposes. (2) To tax moneyed capital (foreign)

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[1] Report of 1872, p. 44.

[2] Ibid., p. 47.

[3] The report of this commission seems to be especially scarce, as I have been unable, after assiduous effort, to secure one. I have been compelled to resort to the Assembly Documents of 1881, No. 124, which contains only a very general treatment of the work of this commission.

[4] Chapters 542, 534 and 596.

engaged in the business of banking, receiving deposits or otherwise. (3) To cause the assessment and collection of taxes on trust companies and other companies of a like nature doing a similar business. (4) To provide revenues for the State by a tax on collateral inheritances and on corporate trust mortgage securities. (5) To tax savings banks and institutions of saving, also life insurance companies. (6) To tax the manufacture and sale of liquors. (7) To tax sales of stocks, securities, cotton, petroleum and other commodities. It was also recommended that the machinery of taxation be reconstructed in order that escaping property might be reached, and that exemption of indebtedness should be abolished or made uniform and equal as to every other kind of property. And finally it was recommended that the laws be codified and made accessible to all administrative officers. By the adoption of this suggestion the commission predicted that particular localities would be relieved of the excessive contributions made to the State.

(*d*) *Tax Commission of 1892* (*The Counsel.*)—This report contained the following recommendations:

(1) That the laws should be carefully examined and the contradictory and surplus matter expunged. Emphasis was put upon this defect in the tax system.

(2) That the number of State assessors be increased to five, one from each judicial district, and that these five assessors, along with the comptroller of the State, acting as chairman, be constituted a board of tax commissioners for the supervision of all assessments and matters of taxation. Two or more of the above assessors should at least once in a year visit each county and investigate the methods of assessment and equalizations there in use.[1] This board should also appraise the property of all transportation and transmission corporations within the State, fixing their value in each district and certifying the amount so fixed to the local assessors, who would place such valuation upon the

[1] Tax Commissioners' Report of 1892, Counsel, p. 89.

assessment roll. The assessors were to adopt one rule of valuation and act in concert at all times. For the equalization of taxes in the counties it was recommended that the assessors and supervisors of the county meet at fixed dates for the equalization of rolls. A State assessor should preside at the meeting, making the decision when disagreement arose. An appeal, however, could be carried to the State board.[1] All the above recommendation was made to prevent the undervaluation and varying valuations due to the habit of assessors in using each his own method, and never acting jointly nor under supervision.

(3) That the listing system be not used, being both inquisitorial and immoral.

(4) That intangible personalty be exempted unless it could be assessed in full.

(5) That debts be deducted from both realty and personalty.

(6) That all deposits of savings banks held by any one person exceeding $1000 should be taxed as other property. The savings banks would be compelled to report annually all deposits exceeding this amount.[2]

(7) That money bequeathed to colleges, churches, charitable and other institutions be taxed as other collateral inheritances.[3]

(8) That the taxation of incomes, along with the sole taxation of corporations by the State and the local assessment of realty, should never be introduced in New York State. The income tax was rejected as inquisitorial and against the republican spirit. The sole taxation of corporations was opposed because the local divisions would be unwilling to forego the right to tax them, and moreover it

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[1] Tax Commission Report of 1892, Counsel, p. 18.

[2] Ibid., p. 16.

[3] Direct inheritances of personalty to the value of $10,000 or over were taxed one per cent. of market value; other property 5 per cent. if the amount equaled or exceeded $500 on realty or personalty.

would deprive them of one of their main sources of revenue. The adoption of the above income and corporation taxes, in the opinion of some, would enable the State to exempt personalty, but the Counsel concluded that the people were not prepared to endorse such an exemption.

(9) That corporate bonds be continued on the exemption list. The Counsel refuse to recommend their taxation for three reasons: (1) Corporate bonds held in sister States cannot be taxed; (2) Bonds of those corporations could not be taxed when the owners reside beyond the State; (3) Taxation would drive corporations from the State.[1]

(10) That all foreign corporations transacting business in the State by way of transportation and transmission be compelled to pay the same tax upon their gross earnings as domestic corporations.[2]

(11) That foreign bankers be compelled to pay a tax of one-half of one per cent. on the business done in the State annually.[3]

(12) Local option, or the plan by which each locality determined the property upon which it should levy, was opposed because personalty upon intimation of taxation would be removed from the State, leaving the burden entirely upon realty.

(*e*) *Tax Commission of 1892 (Joint Committee).*—The report of the committee was made a few weeks after that of the counsel, and though both had the same problem before them, a different solution, in some respects, was given. The committee objected to the counsel's recommendations for

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[1] Report of Commission, 1892, Counsel, p. 16.

[2] Ibid., p. 22.

[3] This business was to be ascertained thus: "First compute the daily average for each month of the moneys outstanding upon loans and of all other moneys received, used or employed in connection with its or their business done in the State by such banker, and by then dividing the aggregate of such monthly average by the number of months for which such banker shall, during the year preceding, have been engaged in the business of banking in this State." Report of 1892 Commission, Counsel, p. 97.

the taxation of savings banks and also for the equalization of assessments between the counties. The following recommendations were made:

(1) That State and local revenues be separated.

(2) That the powers of assessors be increased by vesting them with power when the occasion demanded to make an examination of the case and to summon individuals. The assessors should be permitted to place upon the roll the property of those who had either accidentally or intentionally failed to present it, but a notice must be sent to the owner of such property at least five days before the close of the inspection of the assessment roll. The assessor should also be able to change any assessment which after examination should be found to be erroneous.[1] With the increase of the assessor's power also should come an increase of the penalty for non-performance of duty. The commission recommended that under such an indictment and after proof the assessor should be disqualified from holding any public office thereafter.

(3) That the listing system be kept from the tax code of the State. It failed to uncover concealed property and tended to increase dishonesty.

(4) That personal debts be deducted from assessed value of property. Taxation of debts struck a blow at the present commercial system, which depends upon credit, and at the same time increased the cost of the necessaries of life.[2]

(5) That mortgages on realty amounting to $200 should be taxed one-half of one per cent. annually. The tax should be paid into the county treasury. The treasurer should pass the proceeds over to the comptroller of the State after deducting a commission of one per cent. for expenses and services. The mortgage tax should be paid by the holder of the mortgage, otherwise it should be void.[3]

(6) That the income tax be not introduced into the New

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[1] Commission Report of 1892, Committee, p. 19.
[2] Ibid., p. 11.
[3] Ibid., p. 12.

York system. This tax was objected to for the same reasons as given by the counsel.[1]

(7) That local option be opposed. It was denounced by the same arguments as the counsel used.

(8) That all taxes upon estates held in trust under wills be levied upon at the county probate. These estates had been escaping by being transferred from section to section, following at times the residence of the executor and then the residence of the trustees.

(9) That a graded inheritance tax be levied. A direct heir should pay on personalty at its market value, a tax of one dollar on every $100 in excess of $10,000 and less than $100,000; a tax of two dollars on every $100 in excess of $100,000 and less than $500,000; a tax of two dollars and a half on every $100 in excess of $500,000. He should be exempt from any tax on realty or income thereupon valued at less than $50,000, and when in excess of this amount a tax of one dollar on every $100 should be levied. Collateral inheritances should be taxed five dollars on every $100 of the value of property, real or personal, if equal to or in excess of $500. Religious corporations should be exempted when the bequest or inheritance does not exceed $10,000.[2]

(10) That every foreign corporation doing business in the State should pay a tax of one-eighth of one per cent. upon the percentage of its total capital stock which the business of the corporation done in this State bears to its entire business. A like tax should be paid upon each increase of capital.[3] The existing law required all corporations to make full reports to the State and provided that personal liability should follow the stockholders. To escape this provision, which if complied with would insure assessment, capital left the State for investment, but returned to reap its harvest without cost.

(11) That corporations, joint stock companies, express,

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[1] Commission Report of 1892, Committee, pp. 10-11.
[2] Ibid., pp. 18-19.
[3] Ibid., p. 21 (bill).

gas, trust, electric, steam-heating, light and power companies formed or organized in the State, with the exception of savings banks and institutions, life insurance and foreign insurance companies, banks, historical societies, associations or corporations, should pay a tax on their franchise or business annually of one-quarter mill upon each one per cent. of dividends upon the par value of the stock, if the dividends amount to six or more per cent.; but if the dividends are less than 6 per cent., the tax should be one and one-half mills upon each dollar of the capital stock at its par value.[1] Domestic manufacturers and mining corporations or companies (carrying on the business alone) within the State would not be taxed as above stated if their net earnings were not in excess of 6 per cent. annually. Foreign corporations doing business in the State should pay an excise tax or license fee "upon that percentage of its total capital stock which the business of said corporations done in this State bears to its entire business."[2]

PENNSYLVANIA.

(*a*) *Tax Commission of 1867.*[3]—This commission was ordered "to revise, collate and digest all public acts and statutes regulating and relating to the system of taxation in this commonwealth for State, county, school and municipal purposes," and to recommend any changes which they thought would work an improvement in the present system. The most permanent defects of the system were found to be (1) inequalities of assessments, and (2) the inefficient and injurious mode of collecting taxes. The following recommendations were made:

(1) That assessors be appointed by the courts or some other authority under such regulations as the legislature might see proper to impose. The assessors should have

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[1] Report of Committee, 1892, p. 20 (bill).
[2] Ibid., p. 21 (bill).
[3] This report is found in "Legislative Document of 1868," pp. 345-433.

power to administer the oath to all taxpayers who submitted schedules of their property. Real property had been assessed for years, at a value ranging from one-fifth to one-half of its true value, and personalty had been escaping in large amounts. The inequalities and injustice resulting from this condition of assessment were traced to the assessors. They were at this time elected by the people, and it was postively known that they were actuated in their assessments by political motives, making distinctions in their valuations. This led the commission to recommend that assessors be appointed and not elected.

(2) That township, ward and borough collectors for State and county be abolished and the county treasurer substituted in their place in the several counties.[1]

The most important work accomplished by the commission was the revision of the tax code by the elimination of superfluous phrases, and of laws which had been repealed, and by the arrangement of the several acts under proper titles and sections.

(*b*) *Tax Commission of 1889.*—This special commission with eight members was created May 25th, 1889, and made its report in 1890. The purpose of this commission was the preparation of a "uniform revenue law covering both State and local taxation." State and local revenues were separated in Pennsylvania. In consequence, state taxes were light and the revenues sufficient, while local taxes were oppressive and the revenues insufficient. A demand was made for the increase of local sources. This demand, along with undervaluations in assessments, may be said to have led to the appointment of the commission. Four papers were presented in the report, the majority paper being signed by five members, while each of the three remaining members presented separate papers. Each paper will be considered briefly.

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[1] Legislative Document of 1868, p. 349.

The Majority Report.[1]

This report gave attention chiefly to the revision of local taxation. The bill presented was entitled "an act to provide revenues for local purposes by the taxation of real estate, personal property and corporate property." The following recommendations were made:

(1) That the listing system be strictly enforced. A number of interrogatories respecting the property to be assessed should be made to each taxpayer, but should not be answered upon oath. All tangible personalty, with the exception of water craft, should be listed where located. These lists, in order to prevent fraud, should be open to public inspection after being returned by the taxpayers to whom they were sent by the county commissioners and board of revision.

(2) That the county commissioners and board of revision of taxes not only equalize taxes in and between the counties, but also give their attention to the investigation and correction of false returns. These bodies should ascertain the number of mortgages and other obligations and report the same to the assessors.

(3) That all real estate and all tangible personalty, not essential to the transaction of the business of transportation and transmission companies, be assessed at the value it would bring if placed upon public sale. This property should be subjected to a local tax upon gross earning or income in excess of $300.

(4) That transportation and transmission companies should be subject for all personalty and realty essential to the transaction of business, to the exclusion of oil-producing and gas-producing lands and all leasehold rights therein, to a local tax of four mills on a valuation made by the State treasurer, auditor-general and secretary of internal affairs. The valuation should be made by multiplying the average valuation per mile by the number of tracks or wires or

[1] Commission Report of 1890, pp. 10-18.

mileage in the county. A heavy fine should be laid if correct reports were not made by the companies.[1]

(5) That private banks, incorporated banks and savings institutions pay a local tax of 10 mills on each dollar of their gross earnings of the previous year; that national banks pay a tax of 3 mills upon each dollar of the actual value of the capital stock, or the same as moneyed capital in individual hands. The tax received from the former banks was to be used for school purposes.

(6) That moneys and credit be required to pay the existing State tax of 3 mills, and in addition a local tax of 2 mills on every dollar of value for school purposes, with the exception of notes of issue (bank notes) and the money and credit of transportation and transmission companies.

(7) That all persons over 21 years of age not having a gross earning or income above $300 should pay an annual local tax of 25 cents. At this time the law exempted farmers from the poll tax levied upon males of 21 years of age.

Mr. Thomas McCamant's Report.[2]

Mr. McCamant presented a report signed by himself alone. He refused to sign the majority report because of the severity of some of its measures, and also because he doubted the feasibility of the plan advanced by the majority for the taxation of transportation and transmission companies. He thought an income tax would be the most uniform of any method of taxation, but would not recommend it because it would be a radical change from the existing system, because of the general popular dislike thereto, and again because it would be improperly executed. Mr. McCamant thought the local bodies should be aided in some way, as by the State relinquishing to the county its surplus

[1] The existing law levied simply a State tax upon these companies; telephone, telegraph and sleeping-car companies paid a tax of 8-10 per cent. on gross receipts.

[2] Tax Report, pp. 32-36.

revenues and by levying a county tax "on money capital, shares of stock in corporations, subject to certain restrictions, capital invested in mercantile and commercial pursuits, moneys derived from business investments and on gross earnings of private bankers and brokers, and incorporated banks and savings institutions."[1] A bill was presented which provided (1) that the net-earnings tax on private bankers and brokers and unincorporated banks and savings institutions be repealed and a tax for county purposes on gross earnings be substituted; (2) that a full credit be allowed on the tax levied on capital invested in mercantile licenses and State tax. This bill proposed an increase of the tax on moneyed capital from three to four mills. All persons engaged in mercantile and commercial pursuits were to be subject to a tax of "8 mills upon every dollar of value of all capital in excess of $1000. Butchers, drovers and dealers in live stock were to pay a tax of eight mills on all sales exceeding $1000." For mercantile licenses and State taxes a credit should be allowed in levying this tax.[2]

The law requiring one-third of collected taxes by State to be contributed to the counties would by the recommendation be repealed.[3] The use of the oath was thought to be effective.

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[1] Report of Commission of Pennsylvania, 1889, p. 35.

[2] Report of Commission of Pennsylvania, 1889, p. 161. Mr. McCamant also proposed a reduction of the tax for State purposes from three to two mills on every dollar of value of such personal property as "mortgages, money owing by a solvent debtor, all articles of agreement and accounts bearing interest, public loans, except those issued by the State and United States, all those loans issued by, or shares of stock in, any bank, corporation, association, company or limited partnership including car trust societies and loans secured by bonds or any other form of certificate or evidence of indebtedness, except shares of stock in any corporation or limited partnership liable to the capital stock tax. All other money capital in the hands of individual citizens of the State. This did not include bank notes or even those now discounted by a banking or saving institution or trust company, nor did it apply to loan and building associations."

[3] Ibid., 168-170.

Report of John A. Wright.[1]

The most prominent reasons given by Mr. Wright for not signing the majority report were that the bill presented was unjust in principle, impracticable and unduly inquisitorial in its provisions, and in many points illegal. Mr. Wright presented three papers, which will be here considered in the order of their presentation.

(1) The first of these described the principles on which revenue laws, both for State and local purposes, should be based.[2]

State Revenues.—All State taxes should be drawn from "earnings of invested capital or real estate and not from the principal." Restrictions upon industrial investments should be reduced, and taxes only be levied when earnings reached a certain amount. This principle should apply to natural persons, corporations and business firms. The State should "have nothing to do with the question of indebtedness of its citizens or of its corporations, that being a personal affair between the parties concerned."[3] Exemption from taxation should be enjoyed only by churches, educational and charitable institutions, but even these, in case profits arise, should be taxed. Taxation should be confined to as few articles as possible and all inquisitorial taxes be abolished.[4] Mr. Wright opposed the constant use of the oath. Tax laws must be constructed and administered with justice, and the natural and artificial bodies of the State convinced of their justice; then no oath will be essential.[5]

It is recommended that all assessments be under close supervision, and that all assessors be intelligent men, not elected but appointed by "responsible officials."[6]

Local Revenues.[7]—The separation of State and local taxes

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[1] Tax Report, pp. 39-62.
[2] Ibid., pp. 39-62.
[3] Ibid., pp. 40-42.
[4] Ibid., pp. 44-48.
[5] Ibid., p. 42.
[6] Ibid., pp. 45-46.
[7] Ibid., pp. 55-59.

was advocated, each being confined as much as possible to those subjects which exist in and are dependent upon either the State or the locality immediately. The following detailed recommendations were made:

(1) Real estate should be taxed upon the rental or productive value. (2) Retail liquor licenses should be taxed by the locality, since their influence is local. (3) Localities should tax "horses, mules, oxen, wagons, carriages, omnibuses, stages, and all vehicles used locally for the transportation of persons or freight." The locality is at great expense to keep the roads, bridges, &c., in good repair for the above. (4) Licenses for amusements, such as billiards and ten-pin alleys, should be taxed by localities, since they are supported by them. It will be observed that the last three classes are forms of personal property, and the report is opposed to the local taxation of personalty as a general rule; it is here proposed because of the distinctively local effect of such property.

The report suggests the levying of a poll tax upon all citizens above 21 years of age, and also exemption to the amount of $300 to all.

The difference between the views of Mr. Wright and the majority commission is readily seen. The former does not admit of the local taxation of personalty, while the latter says its object is to lighten local burdens by taxing "all tangible personal property, corporate property and the earnings on income from trades, professions, occupations and the investment of money or capital for local purposes."

(2) The second report[1] of Mr. Wright is made up of objections to the majority report. These objections are in many instances criticisms of the form of statement. It may be said that Mr. Wright does not believe that the rural class are especially heavily burdened, nor does he believe in the increased taxation of transportation or transmission companies, since increased taxes result in increased charges for

[1] Tax Report, pp. 62-69.

public services. The majority report is further criticised as tending to revise the financial policy of the State, to drive capital from the State, to put dangerous powers in the hands of subordinate officers (county commissioners), and to bring about double taxation in many instances.

(3) The third report[1] of Mr. Wright is styled a memorandum and merely recapitulates the views put forward in the above two reports. The theory of the taxation of real and personal property is considered, and the proposed system is worked out in its effects. The taxation of natural persons, deduction from income, taxation of corporations, associations, business and manufacturing firms with and without limited liability, county and municipal taxes, licenses, assessment and collection of revenue, the method of assessing incomes, are all dealt with at length.

The Dissenting Report of Albert S. Bolles.[2]

He recommended that banks, manufacturing companies, licenses being sectional in character and influence and in many instances more easily taxed by the locality than by the State, should be subject to local instead of to State taxes. He also recommended that insurance companies of like kind, whether foreign or domestic, should be taxed in the same manner and alike. These suggestions, if availed of, together with a reduction in appropriations to charities, would improve the whole tax system. The main portion of State revenues would come from the taxation of railroads. Mr. Bolles considers the income tax a just improvement on the general property tax.[3]

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[1] Tax Report, pp. 100-136.

[2] Ibid., pp. 137-158.

[3] The whole Commission Report contains as supplementary matters:

(1) A bill presented by Mr. Rhone in behalf of the State Grange, which provides for the "assessment and valuation of all real estate, personal and corporate property for taxation for county, township, borough and municipal purposes.

(2) A report and bill from the farmers represented in the State

NEW JERSEY.

(*a*) *Tax Commission of 1868.*—This commission was created by the joint resolution of the Senate and General Assembly. The problem to be studied was threefold: (1) The laws were very confused and complicated; (2) undervaluations of property were prevalent; (3) fraud was practiced and inequalities arose because the law permitted the deduction of debts. The first difficulty resulted from the great numbers of distinct tax laws being placed together as if parts of the same law. The real meaning of the law could in consequence be ascertained with difficulty. The commission classified the various acts and expunged the inoperative measures. To solve the remaining parts of the problem, the following recommendations were made:

(1) That the assessor be compelled to take oath that he "had diligently inquired respecting the nature and value of realty and personalty liable to taxation in his township, and had to the best of his ability, without favor or partiality, valued all the said property liable to taxation at its fair and full value, at such a price as in his judgment it would sell for at a fair and bona fide sale by private contract on the day prescribed by law for commencing the assessment, and not at any lower price, such as it might be sold for at a forced or auction sale."[1] The commission also suggested to the legislature that increased salaries might improve the character of the assessors selected. The cause of undervaluation was traced to the assessors, realty being valued at from one-third to one-half of full value.

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organized Granges, stating the grievance of the farmers—the tax on land being too heavy—and also the remedies they propose.

(3) An address by the Memorial Committee of the Association of County Commissioners to the Tax Commission. The evils of the present system are given, and also some suggestions for an improvement.

(4) A digest which depicts, through tables, the tax of all the States.

[1] Legislative Document of New Jersey, 1868, p. 68.

(2) That deduction of debts be no longer permitted and the "value of the property held, whether personal or real, be made the basis of taxation."[1]

(3) That collectors of taxes be permitted to secure judgments and executions against property.

(4) That imprisonment for the non-payment of taxes be abolished.

(5) That every person with a family be exempted when his taxable property does not exceed $200 in amount.

(6) That personalty in transitu through the State when owned by a non-resident be exempted.

(7) That borrowers and lenders be authorized to make an agreement as to the payment of taxes on the loans.

(*b*) *Tax Commission of 1879.*—Ten years later the problem was still the same, the recommendations of the former commission not having been adopted by the legislature. The commission of 1879 laid emphasis upon the taxation of mortgages, the escape of intangible personalty, and the weakness of the machinery of taxation. Attention was again called to the confused state of the laws, notwithstanding the rearrangement made by the previous commission. The following recommendations were made:

(1) That real estate be valued every three years where found, and not as at present where the owner resides, and that the value of land be distinguished from that of improvement.

(2) That intangible property be taxed as at present. The commission recommended that the listing system with oath be used in securing the assessment of bonds, stocks, shares, &c. Increased valuation is the penalty for failure to value property correctly. These forms of property when issued by corporations organized under the laws of the State are to be taxed where issued. The diffusion theory of taxation was denounced as dangerous in its effects and false in principle. The commission concluded that intangible per-

[1] Legislative Document of New Jersey, 1868, pp. 39-41.

sonalty could be reached if the machinery of taxation be repaired.[1]

(3) That deduction of debts from assessments be no longer acknowledged by law.

(4) That mortgaged premises should be taxed as all real estate, without deduction in any case; that the collector, if the mortgagor desire it, give the latter a special receipt for the proportionate amount of tax paid on account of the mortgage; that the law permit and enforce contracts between the parties themselves as to the allowance of the tax, or any part of it, on account of interest.[2]

(5) That taxes collected from the bonds, stocks, shares, etc., issued by corporations organized under the laws of the State, should be disposed of in one of two ways: either made payable to the local treasury or a uniform tax might be laid upon them throughout the State, after which the taxes could be distributed to the localities on the same basis.

(6) That the property of churches, educational and charitable institutions be exempted from all taxation as at present.

(7) That machinery of manufacturers and agricultural implements and household goods to the value of $100 be exempt from taxation.

(8) That the assessors and collectors be elected for three years; that additional powers be put in the hands of the assessors. When the assessor feels that there has been an evasion or a false return he should be empowered to apply

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[1] The machinery at this time used was the same as that put in operation in the middle of the last century, when the State made an effort to tax only tangible property.

[2] Report of Tax Commission of New Jersey, 1880, p. 22.

At this time no uniform rule was applied respecting the taxation of mortgages in New Jersey. The "Five County Act" prescribed the taxation of mortgages within certain five counties, while beyond those county lines deduction was made in the assessments for mortgages. The deduction in the latter case was permitted, but the endeavor was made to collect it from the mortgagee. When the latter lived beyond the State, the mortgagor did not claim deduction.

to the judge of the court of common pleas of the county, who should have the delinquent examined in order to obtain the true value of his personalty.

(9) That a state board of equalization be established to equalize taxes between the counties. This board would be composed of the assessors of the wards, townships and county elected by the people.

(*c*) *Tax Commission of 1890.*—The recommendations of the commission of 1890 were similar to those already made with respect to the deduction of debts and the establishment of a State board. In addition it was proposed that the State board should have the authority to enforce the listing and valuation of property and to supervise collections.

MASSACHUSETTS.

Two tax commissions have been created by the legislature of Massachusetts, in 1874 and 1893 respectively, and two reports made.

(*a*) *Tax Commission of 1874.*[1]—The commission made its report in 1875. The problem was stated as follows: Debts had been assumed too heavy for immediate payment, and this burden of taxation was imposed upon future generations. The poll-tax law was working unjustly; personal property was escaping and undervaluations occurring.

Complaints were being made against the income tax; savings banks were not fulfilling the purpose of their creation; the practice of allowing deductions from taxes because of prompt payment was opposed; there was a lack of supervision over administrative machinery; credits were evading taxation; persons by moving from section to section and

[1] The commission not only treated taxation in Massachusetts, but made a careful study of the systems prevailing in other States and countries. Taxes of various kinds were analyzed in detail. The New York Reports of 1871 and 1872 were examined and the plan proposed in them rejected. The report contains a compilation of those articles of the Massachusetts Bill of Rights and Constitution and of the amendments thereto relating to taxation and exemption.

beyond the State were escaping their assessments; the practice of exposing a detailed list of property was objected to; bank shares were unequally taxed; assessors lacked power to enable them to perform their duties; the exemption of church property, literary and scientific, benevolent and charitable institutions and agricultural societies to so great extent was opposed.

The following recommendations were made:

(1) That a law be enacted fixing a limit to the debts created by any municipality to a fixed per cent. of the assessed value of the property at present taxable. Should any debt be made without the concurrence of the legislature, the municipality must immediately start a sinking fund which would pay the principal of the debt upon maturity.[1]

(2) That poll taxes augment with the increase of expenditures and lessen with reductions, but that a maximum and minimum be fixed for the amount of the tax, the actual rate varying with the rate of the property tax.[2]

(3) That personalty be taxed. The law at this time provided for the taxation of such property, but it escaped in such large amounts that demand for exemption was made for that part of it which was not tangible. The commission advocated its taxation and seemed confident it could be reached were the machinery of taxation improved. The diffusion theory was denounced, the commission believing in the taxation of all property. To insure the assessment of personalty the three following recommendations were made:

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[1] Tax Commission Report of 1875, p. 12.

[2] An explanation of such a recommendation should be made. Poll taxes had been levied in Massachusetts since 1785, and were considered wise and just. But dissatisfaction finally arose. By investigation it was learned that the majority of voters who paid poll taxes had no property, and, in consequence, felt no responsibility in advocating expenditures. In 1874, 78 per cent. of those paying poll taxes paid no taxes on property. This condition of affairs led to the recommendation of the commission given above. Commission Report of 1875, pp. 12-19.

(4) That the governor and his council appoint a tax commissioner with authority to select one member from every board of assessors in the State. This member should report upon the condition of taxation in his section to the commissioner, who should enforce uniform valuations throughout the State.

(5) That the list containing the gross assessment of each individual be exposed to the public. It was the practice at this time to expose the list in detail, and it was thought that the practice caused many property owners to withhold their property from the assessor.

(6) That assessors be empowered to summon witnesses before the county commissioners at the expense of the civil division.[1]

(7) That a tax be levied on all incomes exceeding $1000.[2] There was an income tax in Massachusetts at this time, but it was not properly executed. The commission recommended that a central supervisory department of taxes, with agents in the municipalities, should be established to enforce the law. No deduction should be allowed for taxable property purchased with the income of the year, but a deduction from the gross income of a sum equal to six per cent. of the assessed value of the property employed in the business from which the income is derived should be allowed. Massachusetts had been levying an income tax since the early part of the seventeenth century, and until of late it had been acquiesced in as just. Its continuance was recommended in order to reach a class of property owners who would otherwise escape, and also in order to perfect or make complete the whole system of taxation in operation in the State.

(8) That savings banks, hitherto entirely exempted, be

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[1] Tax Commission Report of 1875, pp. 19-48.

[2] In 1849 exemption to amounts below $600; in 1860 exemption to amounts below $1000; in 1873 exemption to amounts below $2000; in 1873, by commission, amounts below $1000. Tax Report, 1875, pp. 48-56.

taxed on all deposits in excess of $1000 held by any one person, the rate to be the same as that on other personalty.[1] It was also recommended that savings banks owning national bank stock be taxed as any individual would upon stock held.

(9) That deduction from taxes for prompt payment be no longer permitted.[2]

(10) That "all sums of money upon which interest is paid, which are secured to the person who receives such interest, by any agreement or bond, for the sale of real estate, shall be deemed, for the purposes of taxation, money at interest, and that no money at interest or debt due a person to be taxed shall be offset or lessened by any debt due from such persons except by that amount only which such persons may owe in excess of all property held by him which is legally exempt from taxation."[3]

(11) That owners of property be taxed at that place where they resided the greater part of the preceding year. Persons who were citizens the greater part of the year previous to assessment, but had moved to another State, should be considered residents of Massachusetts if they did not obtain a new domicile abroad.

(12) That the Congress of the United States be requested to make a change in the original law, so that bank shares may be taxed by the several States in the same way and to the same extent as moneyed corporations of their own creation. The law in force at this time read: "Residents are compelled to contribute in respect of their shares in banks to the revenue of the towns where they are inhabitants, at rates greater or less than the rates at which their neighbors not owning shares in the same banks are called upon to contribute." Inequalities arose from the enforcement of this law.

(13) That the property of churches, educational, benevo-

[1] Tax Report of Massachusetts, 1875, pp. 65-70.
[2] Ibid., pp. 71-79.
[3] Ibid., pp. 86-89, also 101.

lent and charitable institutions be, as at present, exempt from taxation. A minority report was made on this subject, and it recommended the discontinuance of the assessment and collection of parish taxes; that houses of worship having property exceeding in value $25,000 be taxed as other property; that income-paying property of literary, scientific, benevolent and charitable corporations be assessed as other property.

There seemed to be a large number of citizens favoring the taxation of the above-named property. The majority recommended that all exempted property be returned by list annually. This was required by the law at this time.

(*b*) *Tax Commission of 1893.*[1]—In 1893 a second commission was created, having before it essentially the same problem as the previous commission, since the laws had not been altered as recommended by the previous commission. Whatever is new will appear in the detailed recommendations following:

(1) That the assessor's term of office be extended to three years, so that he can become acquainted with the law. This extension of the term would also insure him continuation in office, though he performed his duties so fully as to arouse local hostility. The evil of undervaluation and escape of property was traced largely to the failure of the assessor to perform his duties because of this fact.

(2) That all citizens must list their property or suffer a severe penalty.

(3) That the municipal bonds be taxed as the law at present provides. The minority presented a report advocating exemption.

(4) That the existing law allowing the exemption of debts be repealed, and if not repealed, then modified so as to exempt the ordinary note or debt secured by mortgage. Heretofore all debts secured in the shape of notes and

[1] The commissioners were members of the Legislature and sat during the recess, making their report to the next Assembly.

bonds or other evidences of indebtedness were exempt from taxation, whether the real estate was in the possession of the party who held the evidences or in the possession of any other person who held the real estate as security for the final payment of all the evidences of indebtedness. The mortgagor escaped while the mortgagee paid the taxes and interest. A minority report was made upholding the present law, upon the claim that the change would cause the rate of interest to rise and would also involve a double tax. Both statements were denied by the majority report.

(5) That property of religious, benevolent, educational and charitable institutions be exempted from taxation, as provided by the present law. A minority report was made claiming the injustice of exemption.

(6) That shares of stock in foreign corporations be taxed. The majority report recommended the above because exemption would increase the taxes of those now already burdened, and also because exemption would offer a premium to capitalists to seek investments beyond the State, while they remained to enjoy the privileges the State affords. The minority report demanded exemption for the following reasons: (1) a share of stock is not property but merely an evidence; (2) that no one should be taxed upon anything but property actually held and protected within the commonwealth; (3) that every citizen should be free to engage in any enterprise in any part of the world.

(7) That the corporation tax on street railways be no longer distributed, but kept in the locality where the railway pursues its business. The law at this time allowed the local taxation of the real estate of the above companies, but this amount was to be deducted from the value of the stock, upon which was levied a franchise or corporation tax. The remainder after such deduction was passed to the State treasury, from which it was distributed to the sections where the stockholders resided.

(8) That the capital stock of railroads be taxed according to the number of miles of track. At this time the tax was

apportioned upon the amount of line in the State as compared with the entire line. Formerly this tax worked justly, but of late one line was made to include several tracks.

(9) That telegraph companies be taxed in proportion to the number of wires, and no longer as at present, in proportion to the number of lines.[1]

(10) That incomes above $2000 be taxed, the rate being graded. This was the majority recommendation. The minority objected to income tax because property was already assessed. To assess incomes and the property from which it was derived, the minority claimed, would be levying a double tax. The majority denied the statement, saying that the income tax would be levied upon faculty and not property, and would therefore not be a double tax.

(11) That no discount be allowed for the prompt payment of taxes.[2]

NEW HAMPSHIRE.

Tax Commission of 1874.—No report was made by this commission until 1876. The problems presented were the escape of personalty and the exemption allowed by adjacent States. Despite its water power, few large enterprises were

[1] Tax Commission Report of 1894, pp. 29-30.

[2] There was a strongly organized single-tax league in Massachusetts, and they presented their theory to the commission. It was examined and its effects studied, after which the commission denounced the theory as impracticable and destructive for the following reasons: (1) A tax upon land would increase the cost of its products and reduce its value. (2) It would cause savings banks and life insurance companies to fail, and it is doubted if, for a time, agricultural communities would be able to raise the money demanded by municipalities. (3) There would be fewer schools and libraries, limited education, and less tender care of the aged and helpless. (4) Capital would not be invested or loaned except at a very high rate of interest on buildings; with every increase in the value of the land the value of the structure decreases. (5) It is calculated that putting the value of all land in the State (and some few improvements) at $910,000,000, the average rate of taxation would be $46.50 per $1000.

locating in the State, while many already transacting business were leaving. Much of this was thought to be due to the light taxes levied upon industries in neighboring States. The following recommendations were made:

(1) That all invisible personalty be exempted.

(2) That all manufacturing establishments and the capital and machinery essential to their working and money loaned to any town be exempted from all taxation.

(3) That the real estate of educational and charitable institutions be exempted from taxation.

(4) That taxes should fall upon those forms of property which will not leave the State if taxed and which do not contribute much to the progress of the State.

WEST VIRGINIA.

Tax Commission of 1884.—It seems that West Virginia, a State of rich resources, had not made the progress its citizens had anticipated, and the cause of such failure was a subject of investigation on the part of many interested in the State. The tax commission of 1884 was created to examine the laws of taxation and their administration. Specific complaint was made that realty was undervalued and personalty escaped; that the deduction of debts caused fraud to be practiced; that corporations (especially railways) were not paying according to the value of their property and privileges. Two reports were made to the legislature, a preliminary and final report.

Preliminary Report.—The following recommendations were made:

(1) That intangible property be exempted if it cannot be assessed in full. The commission believed in the taxation of all property and rejected the statement that the taxation of personalty would drive capital from the State. They traced the failure to assess property to the careless assessors, who permitted the taxpayer to list his property as he chose, no inspection being made as to its correctness. Hence the following recommendation.

(2) That a supervisory head be appointed with the power to inquire into and closely examine the work of the assessor.

(3) That debts and mortgages be taxed, but should they to any great extent escape, then allow full exemption.

(4) That a franchise tax be levied upon railroads and other corporations.

Final Report.—It was intended that this report should work out carefully the recommendations of the former report. The field was, however, found to be too broad and the work too great for such a result. The recommendations made in this report were made by only one commissioner (Mr. Mason), no reason being assigned for the absence of other names.

The following recommendations were made:

(1) That every taxpayer be presented with a printed list of all kinds of property, which he should fill out in detail. This list should classify property, but only the aggregates under the heads of investments and credits[1] should be exposed in detailed form to the public. Failure to list property subjected the owner to an assessment of four times its true value.

(2) That debts should be deducted from the value of property. Mr. Mason did not advocate exemption of debts, but recommended it because the people demanded it. The deduction should be made from credits only and not from investments, because a man with money at interest is able to pay a tax. To prevent fraud in this connection the following detailed recommendations were made: (a) that persons must identify (particularize) each debt to be deducted; (b) that only debts due to people within the State should be deducted; (c) that a surety shall not be exempted except

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[1] By investment is meant "money permanently withdrawn from ordinary trade and active business and placed at interest." Report, p. 8.

By credit is meant "temporary claims and demands which are created, not for the sake of interest, which may or may not be active, but for purposes of trade." Report, p. 8.

for the actual amount which he certifies that he will be compelled to pay on account of the insolvency of his principal.

(3) That merchants be taxed upon the stock on hand at a fixed date and not, as at present, upon the average stock in trade during the previous twelve months. It is impossible to tax a man on goods sold. Moreover, it is likely that the money obtained from the goods is already taxed in some form.

(4) That corporations be taxed as individuals, both upon the shares of stock and the corporation itself. The taxable value of the stock could be ascertained by finding the difference between the value of the corporation and that amount "which at six per cent. will yield the aggregate amount of annual dividends." The taxable value was to be found thus: "The aggregate of the dividends during the preceding year shall be capitalized at six per cent., the assessed value of the corporate property (wherever located and including its realty) (debts of corporations to be deducted) shall be deducted and the remainder divided by the number of shares of stock." Reports stating the amount of dividends disclosed in the previous year, the assessed value of all the property, and the number of shares issued by the corporation must be sent to a central office, which will inform the assessor.[1]

ILLINOIS.

Tax Commission of 1885.—This commission made its report in 1886. The problems presented were undervaluations of realty, escape of personalty, small amounts of taxes collected from corporations, and faulty administration of the law. The following recommendations were made:

(1) That the oath in the assessment of property be abol-

[1] The report also contains references to tax laws and their working in other States; statistics are given to demonstrate the evils existing in West Virginia and also to make clear the effects of the recommendations proposed. The recommendations of tax commissioners in other States are noted.

ished, its effects having proven more detrimental than beneficial.

(2) That the township assessor be removed and a county assessor substituted. This assessor should hold office for four years and be ineligible to re-election. These officials should be provided with offices which should be open at all times. With the consent of the county board they should appoint three deputies, for whom they are held responsible. After assessment the assessor should make oath that he had endeavored to do his full duty, valuing property at its cash value. The commission proposed the division of the county into small tax districts for assessment, and the preparation of maps to exhibit the boundaries and to show the property of taxpayers, so that individuals could compare their assessments with those of their neighbors.[1] The county assessors were directed to assess local corporations with reference to their purpose.

(3) That State and local revenues be separated. Railroads, telegraph, telephone, express and insurance companies should constitute the objects of State taxation. If a deficiency occurred, the counties must come to the rescue, while on the other hand if there was a surplus it must be distributed among the counties.

(4) That a supervisory body be appointed by the governor, to be called the State Board of Tax Commissioners. It should consist of six persons, no more than three being of the same political party, and the auditor of the State being an ex-officio member. The duties of the body should be (1) to present forms for the use of the assessors; (2) to construe the revenue laws for revenue officers and to instruct them in regard to their duties; (3) to see that taxable shares of stock were assessed; (4) to see that assessment be made according to law; (5) to see that taxes were collected; (6) to enforce penalties and fines; (7) to estimate, when necessary, the amounts required of the several counties to meet

[1] Tax Commission Report, 1886, pp. 6-7.

appropriations of the General Assembly and certify the same to the counties; (8) to examine all books made subject to inspection; (9) to see that each county was visited as often as once in two years by at least one member of the board and the operation of the law noted; (10) to report to each Assembly and to make such recommendations as were deemed best; (11) to act as a board of review to whom appeals from the county boards could be taken.[1]

(5) That quasi-public corporations be taxed upon their capital stock. The actual value of all the shares of stock of every such company should be determined, and to the aggregate value of the stock should be added "the actual value of all the indebtedness of the company, except that incurred for current expenses, and the sum thus obtained should be deemed the aggregate value of the entire property and franchises of such company for the purposes of this act, and the sum by which the said aggregate value exceeded the value of the tangible property of such company should be the taxable value of the franchise hereunder."[2]

The State board of county commissioners by the existing law assessed the above corporations, but the commission made it the duty of the county assessor.

(6) That banking institutions, other than national banks, should return their capital listed in the several stated forms, namely, personal property, credits, stocks and bonds. National bank stocks should be assessed where the bank was located in order to assess all shares.[3]

(7) That railroads be taxed on five times the amount of gross receipts at the average rate throughout the State. The tax was to be levied upon gross and not net receipts, because the entire property of the railroad would be reached by taxing the latter, while individual property is not wholly assessed; also because net receipts seemed to be decreasing

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[1] Tax Commission Report of 1886, p. 13.
[2] Ibid., p. 7; also Bill, p. 12.
[3] Ibid., p. 8.

as compared with gross receipts. By "gross receipts" was meant those of a road entirely in the State or of the State portion of an interstate road. The gross receipts of an interstate road could be determined by dividing the entire business of the road by the miles of track. The rate could not exceed five per cent.[1]

(8) Telegraph companies should pay "seventy-five cents for every mile of wire owned and operated or controlled in this State for toll or hire"; telephone companies should pay "two dollars on each instrument"; express companies should pay "two and one-half per cent. of the gross receipts"; public warehouses should pay "one-third of one cent. for every bushel of capacity of each elevator or granary"; and all persons or corporations owning, leasing or managing any public warehouse should pay $5 a year for license; insurance companies should pay "a tax of two per cent. of the gross amount of premiums received by it on the policies, after the amount of premiums returned on cancelled policies had been deducted therefrom."[2]

(9) That a maximum rate of taxation should be fixed. The commission recommended the rate on $100 as follows:

For county purposes other than roads and bridges...$0.25
For city, incorporation, town and village purposes, except schools 0.50
For educational purposes 0.50
For school buildings 0.75
For roads and bridges 0.20
For park purposes .....one-fourth of present rates
For all other purposes .....one-fourth of present rates

Municipalities should not be able to make debts exceeding two per cent. of the assessed valuation.[3]

(10) That non-taxable government securities be listed, in order to prevent the concealment of property by temporary conversion into such securities.

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[1] Tax Commission Report of 1886, p. 10.
[2] Ibid., bill, p. 67.
[3] Ibid., pp. 12-13.

OREGON.

(*a*) *Tax Commission of 1885.*—A majority and minority report were presented by this commission in 1886. Undervaluations of realty,[1] escape of personalty, fraud resulting from the deduction of debts from valuations, light taxes upon corporations, and poor administration of the laws may be said to have made up the problem which the commission had to investigate. The following recommendations were made:

(1) That all property be listed.

(2) That the county court district the counties, allowing the assessors a deputy for each district except in his own, subject to the approval of the court. Assessments should be completed within two and a half months.

(3) That the county board of equalization be composed of the county commissioners. Hitherto the assessors formed the board.

(4) That the State board of equalization be made elective, and its members chosen from each judicial district. Its duties should be to equalize taxes between the counties, and its members should hold office for four years.

(5) That the county treasurer act as collector of taxes. Heretofore the sheriff, school clerk and road supervisor made the collections.

(6) That all land patents issued by the United States and by the State be annually returned to the county clerk; that plats be made of all the land granted, giving the owner's name. It was difficult to know when the tracts had been granted or to whom they had been granted. This realty of course escaped all taxation.

(7) That no mortgage be deducted from the value of the land in assessing it, but that the full cash value of the land be ascertained and then apportioned between the mortgagor and mortgagee in proportion to their respective interests. This recommendation was made because the mortgage was

[1] From one-half to one-third of its true value.

assessed separately from the land and at full value, while land was undervalued constantly.

(8) That credits be taxed after deducting debts. The commission was opposed to the taxation of credits, but recommended taxation, because the constitution of the State would not allow exemption. Credits were looked upon as representing visible property, hence to tax both would constitute double taxation. Moreover, credits escaped taxation in large amount by the creation of fictitious debts.[1]

(9) That insurance, telephone, express, sleeping car companies, electric light, plank board, turnpike, wagon, road and bridge companies be taxed three per cent. upon their gross receipts. This tax should be levied upon all corporations not incorporated under the State laws, and should be known as the license tax.

(10) That a State tax of two per cent. be levied upon gross earnings of railroads, to be paid into the State treasury. The realty and personalty utilized by railroads should be exempt. Realty not used in the operation of the road should be taxed as any other real property.[2]

(11) That an effort be made to bring about the separation of State and local revenues. If these recommendations were followed the separation would be accomplished.

The commission did not believe in the taxation of invisible property, but recommended its taxation because of the constitution of the State. A minority report was made which objected to the deduction of debts, especially of deductions from credits alone. The minority also objected to a tax on the gross earnings of railroads because they were not strongly enough established.

(*b*) *Tax Commission of 1890.*[3]—This commission presented a majority and minority report in 1891, dealing with the

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[1] Tax Commission Report of 1886, pp. 7-9.

[2] Ibid., pp. 10-13.

[3] By a resolution of the Senate, a committee from that body was created a special committee.

same problems as the previous commission. The following recommendations were made:

(1) That deduction of debts in any form be no longer permitted.

(2) That the mortgage tax law be repealed, but if not abolished, then let the "California method" of taxing be adopted. That is, assess "the mortgagee as an interest in the land and the estate of mortgagor as an interest also." The mortgagor could pay the tax and set it off against the debt, requiring payment of taxes before permitting a mortgage to be cancelled, one time and place being fixed for the payment of all mortgage taxes.[1] The minority opposed the repeal of the mortgage tax law.

(3) That corporations pay a gross receipt tax.

MARYLAND.

Tax Commission of 1886.—This commission was composed of five members and made its report in 1888, together with a minority report by Dr. R. T. Ely. The problems confronting the commission were undervaluations in realty, escape of personalty, weakness of the administrative machinery, failure of corporations to contribute according to their ability, exemption of mortgages, fraud practiced because of the exemption of debts. The report called attention to two important features of taxation in Maryland: (1) the appointment of assessors by the governor, county commissioners or municipal authorities, and to (2) the assessment of State and county taxes on the same basis by one set of assessors.

The following recommendations were made by the majority report:

(1) That realty be valued every six years in the counties and every three years in Baltimore City; that personalty be assessed annually, and that a schedule be prepared for the return of such property. There had been no general assessment in Maryland since 1876.

[1] Tax Commission Report of 1891, p. 5.

(2) That visible and tangible personalty (chattels), the public securities of other States and nations, bonds and stocks of non-resident corporations, individual securities, debts and mortgages on property outside of the State,[1] all be returned to the assessor. Exempted property should also be returned. The returns must be signed by the owner of the property, but the oath is not to be applied. False returns should subject the offender to imprisonment.[2] When no return is made the assessor should have power to value the property, adding ten per cent. to the valuation.

(3) That each county have a treasurer, chosen by the county commissioners or elected by the people. This treasurer should choose the assessors, who with him would form the board of county assessors. This device would, it was hoped, separate the assessor from political influence. The assessors should be appointed from each election district, and in order to secure uniformity in valuations they should be required to return their valuations to the board of county commissioners, who would compare all the assessments made in the county. The county treasurer should inform the assessors of the meaning of the true value. The returns were to be filed with the treasurer, who should separate the taxable from the non-taxable and return the list to the county commissioners.[3] The commissioners should receive appeals from persons dissatisfied with their assessment. The recommendation was made that taxes in Baltimore should be paid semi-annually, January and July.

(4) That counties continue to levy taxes upon the realty and personalty of railroads, but without reference to the additional value of their franchise or privilege and profits of

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[1] Tax Report of 1888, p. 80.

[2] The term prescribed was for not less than one year and not more than 10 years.

[3] By the new assessment law of 1896, the county commissioners appoint the assessors in the election districts, and these commissioners also sit as a board of revision and appeal in the counties. In the city appeals are made to the boards of review and control, such boards being appointed for every four wards.

business;[1] that the State impose its general levy upon the property; that the company pay a "license privilege tax measured by gross receipts of the road," and increasing with the earnings per mile in the following way: "one per cent. on the first $1000 a mile of gross earnings, or on total earnings if they are less than $1000 a mile; two per cent. on the first $1000 or part thereof above a $1000 per mile; three per cent. on the first $1000 or part thereof above $2000 per mile; four per cent. on the first $500 or part thereof above $3000 per mile; and five per cent. on all gross earnings in excess of $3500 per mile."[2]

(5) That a gross receipt tax be levied upon telegraph companies at the rate of two per cent.; on telephone, express, title insurance, safety deposit, trust, parlor car and sleeping car companies at the rate of three per cent.; on domestic insurance companies at the rate of one per cent.; on foreign insurance companies at the rate of one and one-half per cent.[3]

(6) That other corporations and banks be compelled to pay "license taxes," consisting of a tax on net profits and a gross receipt tax, and applied in the following manner: When the dividends upon par value of the capital stock equals or exceeds six per cent. for one year, the tax rate is to be one-half of a mill upon the capital stock for each one per cent. of the dividends, or, in other words, the corporation would pay 5 per cent. on dividends. But when the

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[1] Report of the Commission of 1888, pp. 38-56.

[2] Tax Commission Report of 1888, p. 39. The Baltimore and Ohio and Northern Central Railroads are by contract exempted from the taxation of their realty, personalty and franchises, in return for a tax of one and one-half per cent. on gross receipts in the State. The other Maryland companies also enjoy great privileges. The commission calculated that the B. & O., the Northern Central, the Philadelphia, Wilmington and Baltimore, and the Western Maryland Railroads annually escaped taxation to the amount of $300,000, or more than one-third of the entire State taxes. The report suggested several ways in which charter exemptions could be set aside.

[3] Tax Commission Report of 1888, pp. 56-57.

dividends do not amount to 6 per cent., or even when none are declared, the rate is to be three mills upon each dollar of a valuation of the capital stock made by the State tax commissioner. Profits made by a corporation and placed in the sinking fund are to be dealt with as dividends.[1]

(7) That foreign corporations should pay the same tax that Maryland corporations pay in other States. The taxes collected from corporations should accrue to the State treasury, but the counties should be permitted to continue to tax the realty and personalty in their boundaries.

(8) That mortgages, as heretofore, be exempted from taxation.[2]

(9) That debts be not deducted from value of property.

(10) That no discount be allowed upon the prompt payment of taxes.

(11) That savings banks continue to pay county and State rates on one-half the deposits earning three per cent.[3]

(12) That churches and houses used exclusively for public worship, and the furniture therein and the ground necessary for the uses of the church not exceeding 10 feet on either side of such house, be free from all taxation.

(13) That educational, literary, benevolent and similar institutions be taxed if not under the control of the State.

(14) That a merchant be taxed alone on the actual worth of his stock, whether bought on credit or not, but not on his book accounts. The average stock held during the year should be used as a basis for the calculation of actual worth. The law at this time compelled a merchant to pay taxes upon the value of his merchandise and also upon book accounts.[4]

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[1] Tax Commission Report of 1888, pp. 38, 56-65.

[2] By the new assessment law of 1896 mortgages are taxed at the rate of 8 per cent. annually upon the gross amount of interest. This is to be paid by mortgagee on oath that he will not shift it to the mortgagor.

[3] Tax Commission Report of 1888, pp. 86-88.

[4] The new assessment law of 1896 exempts "the book accounts or bills receivable, or evidences of debt given for such accounts, of

Dr. R. T. Ely's Minority Report.—The majority report was based upon the present constitution, while the report of Dr. Ely recommends an entirely new system, irrespective of previous practices or laws.

The following recommendations were made:

(1) That mortgages, promissory notes, book accounts, simple contract debts, and other "private securities," and other intangible personalty be exempted from taxation.

(2) That a State income tax be levied in order to make up for the deficiency left by the exemption of real estate from any other than local taxation. The rate suggested was one per cent. upon all incomes exceeding $600.

(3) That State and local revenues be separated, and that real estate constitute the main subject of local taxation; corporations that of State taxation.

(4) That realty be valued every three years to avoid unfair valuations.

(5) That railroads be taxed as recommended in the majority report. Failing in the acceptance of this method, the adoption of the "Wisconsin method" of levying a license fee, varying with gross earnings per mile, was recommended.[1]

(6) That the legislature refuse to grant charters to private corporations for the supply of gas, water or electric light, but that such functions be assumed by public enterprise. It was also recommended that municipalities endeavor to purchase existing private gas works. Should a charter be granted to a private corporation, the franchise should be sold at auction for a limited term of years. In the case of street car franchises, sale at public auction for a term of 15 years to the party who would guarantee the greatest percentage of gross receipts was recommended. The local authorities should retain the right to purchase the equipment

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any person engaged in commercial business who is taxed upon a fair average value of his stock of goods, wares and merchandise." Ch. 120, Sec. 4.

[1] Tax Commission Report of 1888, pp. 189-190.

of the company upon the expiration of the term, and place the franchise on sale again. Should the local authority be unable or unwilling to purchase the property, the franchise should be sold with the provision that the purchaser must also purchase the property of the present company at an appraised valuation.[1]

7. That an inheritance tax be levied, at the rate of one per cent. upon direct inheritances exceeding $1200 and five per cent. upon collateral inheritances exceeding $12,000.[2]

(8) That a business tax of 10 per cent. be levied upon the annual rental value of all stores, offices, manufacturing establishments and places of business, and that the merchandise, plant and furniture of these places be exempt from further taxation. Four-fifths of the proceeds of this tax should be given to the counties and municipalities and one-fifth to the State.[3]

(9) That the number of liquor saloons be limited in the cities to one in every 2000 people, and in the counties to one in every 1500 people; that cities and counties be divided into liquor districts; that licenses be awarded at public auction, and that the entire sale of liquor be determined by local option. Wholesale liquor dealers should pay $1000 for a license, and the rental value of the place of business should be taxed at the rate of 25 per cent.[4]

(10) That educational and benevolent institutions be exempt, whether controlled by the State or not.

(11) That the constitutional provisions prohibiting the State from engaging in any work of internal improvement and making necessary the present method of taxation, be submitted to the people for repeal.

(12) That the recommendations of the majority for the assessment and collection of taxes be adopted, except that in the city the collection of taxes be quarterly instead of semi-annually.

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[1] Tax Commission Report of 1888, pp. 165-170.
[2] Ibid., pp. 183-186. [3] Ibid., pp. 186-188. [4] Ibid., pp. 170-171.

MAINE.

Tax Commission of 1889.—The problem presented the usual conditions of undervaluation of realty, escape of personalty, faulty administration of laws, failure of corporations to pay according to ability, and the objectionable working of the mortgage tax.

The following recommendations were made in the report of the commission submitted in 1890:

(1) That the listing system be strictly applied with accompanying oath and public exposure of the list.

(2) That a supervisory body be appointed by the governor, with the consent of the council, composed of three State assessors, holding office for six years. One of the associate members should be selected from each of the leading political parties. It should be the duty of this supervisory body to assess such corporations as pay their taxes directly to the State, to apportion State taxes authorized by the legislature, to enforce the laws, and to act as a State board of equalization, sitting biennially.

(3) That State assessors should continue in office three years, in order to insure the retention in office of the assessor who had faithfully performed his duty.

(4) That the law be changed so as to bring out more clearly the duties of the assessor and to define true value of property.

(5) That an effort be made to separate State and local revenues, but without involving the entire dependence of the State upon the corporation tax. The taxation of corporations by the State alone was opposed as tending to break the "financial ligament" uniting local and State government and to extend the powers of corporations.[1]

(6) That corporations of a speculative character be required to pay a franchise tax of one-tenth of one per cent. upon the par value of their capital stock, and also an organization tax, before beginning operation, dependent

[1] The Tax Report of 1890, pp. 55-58.

upon the amount of capital.[1] These corporations under the present law had been escaping almost all taxation.

(7) That railroads pay a gross receipt tax per mile, the rate increasing one-fourth of one per cent. with every $750 of gross receipts per mile. The existing law provided for the same tax, but fixed the maximum rate at three and one-fourth per cent. Realty and personalty were still to be taxed locally.

(8) That savings banks, trust and loan institutions pay a tax of one-half of one per cent. annually on all investments, deposits or loans made in the State, and one per cent. on those made beyond the State.[2] Hitherto savings banks were paying three-fourths of one per cent. on deposits, while trust and loan institutions were exempt.

(9) That foreign insurance companies doing business in this State pay an annual tax of two per cent. upon all premiums received on contracts made in the State for insurance.

(10) That domestic life insurance companies pay a tax on their realty where situated, and in addition a State tax annually of two per cent. on all premiums received from residents in the State and also a tax of three-fourths of one per cent. on its surplus.

(11) That inspectors representing unlicensed insurance companies be subject to a license tax of $20, to be obtained from the insurance commissioner. A heavy penalty was imposed for neglect. Agents of insurance companies were required to pay an annual fee of $2.[3]

(12) That the mortgagor and mortgagee be taxed as joint owners of the real estate in proportion to their interest.[4]

(13) That a collateral inheritance tax of two and one-half per cent. on all amounts exceeding $500 be levied. Probate

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[1] A capital not exceeding $5000 was to pay a tax of $25; one more than $10,000, and not exceeding $100,000, $50, etc. Tax Commission Report of 1890, p. 137.

[2] Ibid., pp. 72-82. [3] Ibid., pp. 68-70; also Bill, pp. 130-133.

[4] Ibid., pp. 46-49.

judges should return to the State assessors semi-annually statements of such property.

(14) An income tax was characterized as incapable of practical application.[1]

DELAWARE.

Tax Commission of 1891.—The Farmers' Institute of Delaware met for the consideration of taxation in the State and formulated a bill which was later presented to the General Assembly. The opinions expressed in the bill failed to impress the Assembly, but resulted in the creation of a commission in 1891 for the investigation of the system of taxation in the State. No work was done by the commission until the following year, when two reports were submitted.

First Report.—The existing system of taxation in Delaware provided for the separation of State and local taxes. State revenues were adequate, but local revenues were insufficient, despite the fact that local taxes weighed heavily upon real estate. This latter was the real cause of the appointment of the commission. The first report of the commission traced the cause of the burdensome taxation to the laxity of the assessors, and recommended that a "proper tribunal" be established to arrange and adjust the assessments throughout the respective counties.[2] Heretofore the levy courts were vested with this duty, but their tasks were too numerous and their time too limited to insure a proper revision of the assessments. Although recognizing a large escape of intangible personal property, the commission objected to its entire exemption.

The Second Report of the commission was made up largely of extracts from reports of commissioners in other States. From a study of these the conclusion was reached that Delaware had about as perfect a system as could be obtained. No recommendations were made, but the commission emphasized the truth of the "diffusion theory" of taxation.

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[1] Tax Commission Report, 1890, pp. 35-37.
[2] First Commission Report, p. 6.

DISTRICT OF COLUMBIA.

Tax Commission of 1892.—The House of Representatives created this body and the Speaker appointed its members. The grounds of complaint were the undervaluation of real estate in the absence of a common rule of assessment, and the escape of invisible personalty.[1]

At the time of the appointment of the commission the assistant assessors were appointed by a board of three commissioners. It was discovered that these assessors had no rule of valuation, and also that their work was done for the most part in secret. These assistant assessors, together with a chief assessor, formed a board of equalization, and as was to be expected they upheld their own assessments. The following recommendation was made:

That the board of equalization be changed so that its members should consist of one responsible officer, who should be assisted by a prosecutor, both holding office for one year and appointed by the President of the United States. This board was empowered to make assessments, to increase or diminish assessments and summon those before it whom it deemed necessary to a proper performance of their duties. The prosecutor was to appear and argue cases before the board in the interest of the District and the United States Government when assessments were appealed. The prosecutor could call the attention of the board to errors at any time. These so-called trials were to be held publicly; the journal of the board was to be open for examination, and the board was to remain in constant session.

The commission endeavored to formulate some plan of taxation by which adequate revenues could be secured in a fair way without tending to put a check upon improve-

[1] Valuations varied from one-half to full value; especially were inequalities to be seen in the valuation of business houses and residences and land held for speculative purposes. Fine mansions were assessed, it was claimed, far below their value; cottages at their true value.

ments. One method of taxation was presented, but it had the endorsement of only a single commissioner. This method was to levy a tax solely upon the rental value of land and to exempt improvements of all sorts.[1]

IOWA.

Tax Commission of 1892.—The commission was created by the General Assembly and was appointed by the executive council. A report was submitted in 1893. The tax law existing in 1892 required that realty be "assessed at its true cash value, having regard to its quality, location and natural advantages, the general improvement of the vicinity, and all other elements of its value"; that "depreciated bank notes and the stock of corporations shall be assessed at their cash value"; and that credits shall be listed at such sums as the person listing them believes will be received or can be collected thereon, and annuities at the value which the person listing them believes them to be worth in money." The failure to enforce the provisions of this statute led to the creation of the commission, and the problem of its study grew out of this failure. Undervaluation, escape of personalty, fraud arising from deductions of debts, were the specific topics considered.

The following recommendations were made:

(1) That the board of supervisors define the assessment district and appoint associate assessors. These assessors should take the place of township trustees and members of the town council in the equalization of taxes. They should remain in office five years and value realty every fifth year instead of, as heretofore, every year. The assessors should be selected from different political parties. They, with the associate advisory, should compose the State board of equal-

[1] The report contains comparisons of assessments under the present and the proposed scheme in the form of tables. It was calculated that 59 cents on the $100 would provide sufficient revenue for municipal expenses.

ization. Provision should be made for a county board of equalization.[1]

(2) That State and local revenues be separated.[2]

(3) That debts, including mortgages, should not hereafter be deducted from the true value of property.

(4) That corporations continue to pay the present tax of one-quarter of one per cent. upon the amount of their authorized capital stock.[3]

(5) That an inheritance tax be levied upon both direct and collateral inheritances. Property passing to direct descendants or to some charitable or public institution should be exempt when the inheritance did not exceed the value of $25,000 in personalty or $100,000 in realty. In the case of personalty all amounts exceeding $25,000 should be taxed one per cent., while an additional one per cent. should be exacted for amounts in excess of $100,000, $300,000, $500,000, and $1,000,000 respectively. This would make the rate five per cent. upon all amounts exceeding $1,000,000.[4] In the case of realty all amounts exceeding $100,000 should be taxed one per cent.; an additional rate of one and one-half per cent. on amounts in excess of $500,000; and an additional rate of two and a half per cent. on those in excess of $1,000,000, making a total rate of 5 per cent. on the excess over $1,000,000.

Collateral inheritances should pay a tax of 5 per cent. of the value of the inherited property when more than $2000 and not in excess of $50,000; of seven per cent. on amounts exceeding $50,000 and not in excess of $100,000; and of ten per cent. on amounts exceeding $100,000. The inheritance tax should be paid to the county treasurer.[5]

The single tax theory was opposed as radical and un-American.

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[1] Commission Report of 1893, p. 7.

[2] This recommendation did not appear except in the bill, nothing being said of it in the body of the report. Commission Report of 1893, p. 11.

[3] Ibid., Bill, p. 47. [4] Ibid., p. 15. [5] Ibid., p. 43.

OHIO.

Tax Commission of 1893.—The commission made its report in December, 1893. The problems confronting it were undervaluation and escape of personalty, due in large part to the neglect of the assessor, and failure of corporations to pay according to their ability.

The following recommendations were made:

(1) That the tax inquisitor law be abandoned.

(2) That the existing decennial State boards of equalization of realty, the annual State board for the equalization of the shares of incorporated banks, the board of county auditors for the valuation of railroad property, the annual State board of equalization for railroads, and the board of appraisers and assessors of express, telegraph and telephone companies, all be abolished and in their stead a State board of assessment and equalization be provided. It was also recommended that the county decennial board of equalization of real property, the city decennial board of equalization of real property, the county annual board of equalization, the city annual board of equalization, the county auditor in receiving returns of corporations, township and ward assessors in correcting false and erroneous returns and in listing omitted property, all be displaced by the county board of assessment.

The members of the State board should be appointed by the governor for six years, and should appoint the county board for the same number of years. The county board should appoint ward assessors, while township assessors should be elected by the people. The State board should appraise the property of railroad, telegraph, telephone, express, transportation and transmission companies.

(3) Real estate should be valued every five years.

(4) That State and local revenues should not be separated.

(5) That a business tax, to be called a franchise tax on net earnings, should be levied upon all corporations, domestic and foreign, except manufactures and mercantile enterprises. This would equalize taxes and secure a contribution

from those corporations which gave little or no evidence of ability to pay existing taxes.[1]

(6) That the general property tax be levied, as at present, upon railroads, and an additional franchise tax be imposed upon all the gross receipts of the railroad. When the gross earnings accrued from interstate business, that part taxable should be ascertained by dividing the gross earnings by the entire mileage and then multiplying this result by the number of miles in the State.[2]

(7) That foreign corporations should be exempt from taxation.

(8) That the inheritance tax be employed in order to reach some intangible personalty hitherto escaping. The commission did not name a rate nor the amounts to be exempted.

(9) That municipal bonds, mortgages, money and stock in foreign corporations be exempt.[3]

(10) That deeds, mortgages, chattels, leases, wills, petitions for appeal and in error, transcripts of judgments, and similar instruments and privileges of commencing an action be subject to a small tax.[4]

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[1] Commission Report of 1893, pp. 47-51.

[2] The valuation of railroads in 1878 was higher than in 1892. Report, p. 60.

[3] Ibid., p. 64.

[4] Ibid., p. 62.

CHAPTER IV.

Results of the State Tax Commission.

In estimating the results of the work of State Tax Commissions in the United States one must remember that the problem of taxation, as it presents itself in the American commonwealths, offers far greater difficulty than that involved in the formulation of a correct theory of taxation. Not only must the theory of taxation be sound, but it must conform to the precise industrial conditions existing in the State. The application of a theory or a principle correct in itself does not insure that justice and equality will follow. Past habits, present laws, popular feeling and actual conditions within each State must be considered before any new principle is applied, if the progress of the State is to be aided.[1] The difficult task of the commission has thus not been generally appreciated. However, it may be said that commissions have performed a twofold service: (1) they have achieved specific results themselves, and (2) they have recommended changes for the legislature to make in the laws respecting taxation.

Specific Results Achieved.

(1) The commissions have exhibited the actual working of the general property tax and have given abundant proof

[1] The writer, from reading the reviews of the reports of the commissions by Prof. E. R. A. Seligman in the "Political Science Quarterly," comes to the conclusion that the reviewer does not appreciate fully the practical difficulties with which the commissions have had to deal. They have not only to know that certain taxes seem just and are applied in other countries with satisfaction, but must study the industrial conditions of their own State and adopt that system which will not in any way interfere with prosperity, and which is, at the same time, in accord with the feelings of the people.

of its unfairness. Their reports have shown that uniformity of taxation does not exist, and that valuations vary in every State; that taxes are not universal, and that personalty in vast amounts escapes; that the greater the effort to secure equality the more universal does deception become; that taxes are becoming regressive, that personalty contributes less and less taxes each year, and that real estate is unfairly burdened in consequence; that double taxation occurs by reason of the taxation of property and credits, of book accounts and merchandise in stock.

(2) The tax laws of almost every State are confused and complicated, clothed in obscure language and weighted with superfluous words and phrases. Amendments and supplements to amendments, laws of repeal or alteration have been mingled together in the accumulation of years of legislation, making it extremely difficult for administrative officials to ascertain in full their duty. Contradictions also appear frequently.[1] Tax commissions in several States have codified the laws, expunging all contradictory and irrelevant matter.

(3) They have furnished information to the legislative bodies as to the actual working of taxation in the several States, giving them thus a safe basis of information for the construction of new laws or the alteration and revision of old ones. Our present industries have grown with the laws, hence great thought and care must be exercised when the alteration of these laws, in however small a way, is in contemplation, for even an anticipated change might spread disaster throughout the State by causing industries to leave the locality in order to escape the prospective tax or increased taxes. It has been the custom of legislators to in-

[1] New York Tax Commission Report of 1871, p. 9; also 93 (counsel), p. 5; Massachusetts Tax Commission Report of 1894, p. 1; New Jersey Tax Commission Report of 1869; New Jersey Tax Commission Report of 1880; Pennsylvania Tax Commission Report of 1867 (legislative document), p. 346; Maine Tax Commission Report of 1890, pp. 5-6; New Jersey State Board Report, 1892, p. 34.

vestigate problems coming before the legislature individually, each seeking his own information and voting for revisions of the law upon conclusions drawn from such imperfect investigation. Especially is this true when questions of taxation come up for consideration. The greater and more flagrant evils may be ascertained, but those smaller ones, from which the larger have their evolution, are not observed. Under these conditions the reports of the State Tax Commissions became of service. These commissions extend their inquiries into every district of the State, consulting officials and private citizens as to the operation of the law in their own locality. The results of the examinations are presented to the legislature, and with them also the opinions of the commission, based upon a study of the tax problem in the State and in other States, and upon knowledge gained from specialists.[1] Many of these opinions are weak and open to severe criticism, but this does not destroy the value of the work of the commission. The legislature has the problem, as it exists, stated clearly in the report, and they may discard the conclusions of the commission or arrive at far different opinions, from the same materials. It is the report which is of prime importance, for it presents the evils to be considered and what changes can be made under the present State constitution.[2]

(4) They have more fully instructed administrative officials in the performance of their duties, and have acquainted the public mind with taxation as it is conducted in the State. After the report of the commission is made to the legislature

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[1] Iowa Tax Commission Report, 1893, Sec. 5 of the act creating the commission, p. 6; Maine Tax Commission Report, 1890, resolution of Legislature creating commission, p. 2; Massachusetts Tax Commission Report, 1875, resolution of Legislature creating commission, p. 2.

[2] Observe the character of the reports as described in Chapter III. It seems that the inheritance tax and corporation tax recommended by the commission of New York of 1880 gave rise to the present inheritance and corporation taxes in that State, Chapter III, pp. 40-41. This is one of the few instances where the Legislature has followed a recommendation of the commission.

and copies distributed to members of that body, the surplus is sent, upon application, to individuals throughout the State.[1] In this way the State is made to see what legislation is necessary, and legislators are likely to be forced to commit themselves before election upon the subject of taxation.

Changes Recommended.

The recommendations of the commissions can only be considered as advisory suggestions, directing where changes should be made in those parts of the law which are weak and unjust, and as embodiments of the reforms which should be instituted. Those recommendations which received the sanction of a number of different commissions may be summarized as follows:

Assessments.—Unfair assessment is a characteristic of every State tax system. This evil may be credited to either the property owner or the assessor. In no State is one uniform standard of value applied in assessments, and seldom is full value attached to any property. This condition has been disclosed by the commissions in their investigation, and suggestions by which true, full value can be obtained in every case have been presented. The commissions have emphasized the importance of a legal declaration stating clearly what value shall be put upon the property, whether full, half or third, and also that one rule should be laid down and every effort made to have it, at all times, applied. The commissions generally have recommended, as a means of securing the application of this rule, that supervisory bodies be created to overlook the work of the assessors.[2] Other

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[1] The report of the Tax Commission of Massachusetts of 1875 was not only supplied to the Legislature of that year, but in 1893 a resolution was passed providing for the reprinting of one thousand copies of the report to be distributed under the direction of the Tax Commissioner. Three copies of the Maine Commission Report of 1890 were to be presented to each member of the Legislature of that year, and 1000 copies to be provided for the use of the next Legislature.

[2] Connecticut Commissions, '43, '67, '80, '84; New York Commissions, '62, '70, '92; Massachusetts Commission, '74; New Jersey

suggestions have been made to attain the same end, such as the appointment and election of assessors and the lengthening of their tenure of office;[1] and also the careful listing of property.[2]

Real and Personal Property.—A common recommendation of tax commissions, appointed in States where general assessments are made at considerable intervals is, that such assessment be more frequent, so that fluctuations in value can be more easily followed.[3]

The reports of the commissions show that the greater part of personalty escapes assessment each year, and all efforts to increase the listing of this property have proved futile. This has caused recommendations to be made advocating the exemption of invisible personalty from taxation.[4] Opposing recommendations have been made as to the taxation of mortgages, with the balance in favor of taxation, and, if possible, of assessment to the holder of the mortgage.[5] The deduction of debts is a second subject upon

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Commissions, '79, '90; West Virginia Commission, '84; Illinois Commission, '85; Oregon Commission, '85; Iowa Commission, '92; Maine Commission, '89; Delaware Commission, '91.

[1] Massachusetts Commission, '94; New York, '62, '92; New Jersey, '68, '79; Maine, '89; Iowa, '92; Illinois, '85; Pennsylvania, '67.

[2] The following commissions favor the careful listing of all property: Connecticut, '43, '80 and '84; New York, '62; Pennsylvania, '89; New Jersey, '79 and '90; Massachusetts, '93; West Virginia, '84; Oregon, '85; Maryland, '86 (also Dr. Ely's report); Maine, '89; Connecticut, '80 and '84; also New York, '62 and '70, advocate detail listing of realty.

[3] Connecticut Commission Report of '68 and '86; that of Ohio of '93, and Iowa of '93, have recommended assessment every five years; New Jersey every three years; Maryland of '88, reassessment of realty every six years in the counties and three years in Baltimore, and personalty every year; New York of '71 recommends reassessment whenever the central authority thinks necessary.

[4] Connecticut Commission of '84; New York of '70 and '92 (counsel); Oregon, '85; Maryland, '86 (Dr. Ely's report); Delaware (minority report) recommended the exemption of invisible property, while New Hampshire of '74 and West Virginia of '84 recommended its exemption if it all cannot be taxed.

[5] The Commission of New York (committee) of '92 and '62; of Massachusetts, '93; of West Virginia, '84; of Delaware, '91; of New

which the commissions have formed different opinions. There is not the slightest doubt about many frauds being perpetrated because deduction of debts is permitted, and this is the main reason for several commissions recommending their taxation.[1]

Corporations.—While all the commissions are decided upon the justice of an increased tax upon corporations, there is little unanimity of opinion with respect to the method of levying the tax; some commissioners recommend a gross receipts tax,[2] others net receipts,[3] and still others a capital stock[4] tax. An increase in the tax upon railroads has been recommended.[5] Savings banks, hitherto exempt in whole or in part, have also been proposed as proper objects for increased assessments.[6]

Jersey, '68 and '79; of Maine, '89; of Oregon, '85 and '90; Iowa, '92, all recommend the taxation of mortgages. New York of '62 and '92 (committee); of New Jersey, '79; of Oregon, '85; and of Maine, '89, recommended that the tax be so laid as to fall upon the mortgagee.

[1] The Commissions of Massachusetts, '93; of New Jersey, '68, '79 and '90; of West Virginia, '84; of Maryland, '86; of Oregon, '90; of Iowa, '92, all recommended that deduction of debts be no longer allowed.

[2] The Commissions of New York (counsel), '92; of Pennsylvania, '89; of Oregon, '85; of Maryland, '86, recommend a gross receipts tax on telegraph and telephone companies.

[3] Mr. Wright, a member of the Commission of Pennsylvania, 1889, recommended that net receipts of all corporations be taxed.

[4] Connecticut, '67 and '84; New York (Com.), '92; Massachusetts, '93; Illinois, '85; Maine, '89; Iowa, '92, recommend a tax upon capital stock of certain corporations. Chapter III gives briefly these corporations.

[5] The Commissions of New York, '92 (counsel); of Illinois, '85; Pennsylvania, '89; of Oregon, '85 and '90; of Maryland, '86; of Ohio, '93; of Maine, '89, recommended the taxation of gross receipts of railroads. Massachusetts, '93; West Virginia, '84; Connecticut of '84 (also plus funded and floating debt); New York, '92 (committee); New York Report '71 (plus funded and floating debt) recommended a tax on capital stock at par of railroads.

[6] The Counsel of New York of 1892 recommended that each depositor having over $1000 should be taxed as on other property. Massachusetts Commission of 1874 recommended a tax on amount of over $1000 held by each depositor, and also that national bank

To make more complete existing systems of taxation, to reach certain classes of property owners who do not at present contribute, and to lighten the burdens of real estate owners, some comparatively new forms of taxes have been recommended by the commissions. Among these are the income tax and the inheritance tax. It is claimed that the former tax would fall upon those who own personalty and yet evade the full tax upon it.[1] The inheritance tax has been growing in favor of late years in all sections of the country. Later commissions have recommended its adoption and use.[2]

To prevent the continuation of undervaluation in the counties which contribute to State taxes, to lighten the taxes of real estate owners and to provide the smaller divisions with sufficient revenues, the separation of State and local revenues has been recommended by several commissions.[3] Other commissions do not recommend the separation, but in many cases are not opposed to it. A limitation of the taxing power has also been recommended by some commissions.[4]

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stock owned by savings banks be taxed as if owned by any individual. The Maine Commission of 1889 recommended that savings banks be taxed on all their investments in the State. New York Commission Report of 1871 recommended taxation of surplus; also New York Commission Report of 1881.

[1] The Commissions of Massachusetts, 1874 and 1893, and Dr. Ely in the Maryland Report of 1888, and Mr. Wright and Mr. Bolles in the Pennsylvania Report of 1890, advocate an income tax.

[2] The Commission of Connecticut of '84; of New York (counsel and committee) of '92; and of Maine, '89; of Iowa, '92; of (Dr. Ely's report) Maryland, '86; of Ohio, '93, look upon the inheritance tax as worthy of trial.

[3] The Commission of New York (committee), '92; of Illinois, '85; of Oregon, '85; of Delaware, '91; of Maryland (Dr. Ely), '86, advocate the separation of revenues. The Maine Commission of '89 does not object to separation so long as State taxes are not absolutely confined to corporations. Delaware and Pennsylvania already enjoy separation of revenues.

[4] New York Commission of '70; Massachusetts, '74, and Illinois, '85, have recommended that a limitation be put on the power to increase the tax rate.

APPENDIX.

TABLE I.

The Problem of Taxation as Reported by State Tax Commissions.

I.—Real Property.

1. *Undervaluations.*

All the commissions of Connecticut, New York, Pennsylvania, New Jersey, Massachusetts, New Hampshire, West Virginia, Illinois, Oregon, Maryland, Maine, Delaware, Iowa, District of Columbia and Ohio.

2. *Varying valuations.*

All the Commissions.

3. *Excessive taxation.*

Connecticut, 1880 and 1884; New York, 1880; New Jersey, 1879 and 1890; New Hampshire, 1874.

II.—Personal Property.

A.—Invisible.

1. *When situated within the State, it escapes.*

All the Commissions except New Jersey, 1868.

2. *When owned by residents, but having its situs in another State, it escapes.*

New York, 1870 and 1880.

3. *Money on hand is taxed.*

Connecticut, 1884.

4. *Exemption of debts makes fraud possible.*

Connecticut, 1867, 1880 and 1884; New York, 1862, 1870, 1880, Counsel and Committee of 1892; New Jersey, 1868, 1879 and 1890; Massachusetts, 1874 and 1893; West Virginia, 1884; Oregon, 1885 and 1890; Maryland, 1886; Iowa, 1892.

5. *Credits evade taxation.*
Connecticut, 1867; Pennsylvania, 1889; Massachusetts, 1874 and 1893; Oregon, 1885 and 1890.

6. *Citizens by moving from section to section throughout the State, escape taxation.*
Massachusetts, 1874 and 1893.

7. *Municipal bonds taxed.*
Massachusetts, 1893.

8. *Municipal bonds exempt.*
District of Columbia, 1892.

B.—VISIBLE.

1. *Merchants are taxed on the average stock held during the year.*
West Virginia, 1884.

2. *Merchants are taxed on both stock and book accounts.*
Maryland, 1886.

3. *Foreign capital doing business in the State escapes.*
New York, 1880, and the Counsel and Committee of 1892; Oregon, 1885 and 1890.

4. *Property is not fully listed because of the exhibiting of the list to the public.*
The Counsel and Committee of New York, 1892.

5. *Mortgages exempt.*
Counsel and Committee of New York, 1892; Massachusetts, 1874 and 1893; Maryland, 1886.

6. *Mortgages taxed.*
Ohio, 1893.

7. *No uniform rule applied to mortgages.*
New Jersey, 1879 and 1890.

III.—Corporations.

I.—IN GENERAL.

a. They escape in part.
Connecticut, 1867 and 1880; New York, 1870 and 1880, and Counsel and Committee of 1892; Massachusetts, 1893; West Virginia,

1884; Illinois, 1885; Oregon, 1885 and 1890; Maryland, 1886; Maine, 1889; Ohio, 1893.

b. Foreign corporations doing business in the State escape.

The Counsel and Committee of New York, 1892; Ohio, 1893.

c. Shares of stock in foreign corporations are taxed.

Connecticut, 1884; New Jersey, 1879 and 1890; Massachusetts, 1893.

d. Opposed to the sole taxation of corporations by the State.

The Counsel and Committee of New York, 1892; Oregon, 1885 and 1890.

e. By exemption of corporations capital is lured from sister States.

New York, 1870 and 1880; Massachusetts, 1893.

2.—IN PARTICULAR.

a. Street Railways. Taxes collected are distributed to the localities where the stockholders reside.

Massachusetts, 1893.

b. Railroads. They fail to pay their full proportion of the taxes.

Connecticut, 1884; New York, 1862, 1870, 1880 and 1892; Massachusetts, 1893; West Virginia, 1884; Illinois, 1885; Oregon, 1885 and 1890; Maryland, 1886; Maine, 1889; Ohio, 1893.

c. Banks.

1. *Stock unequally taxed.*

Massachusetts, 1874 and 1893.

2. *Savings banks are used by the wealthy class to avoid taxation.*

Connecticut, 1867, 1880 and 1884; New York, 1870, 1880, and Counsel and Committee of 1892; Maryland, 1886; Maine, 1889.

3. *National banks. Stock held by savings banks is exempted.*

Massachusetts, 1874.

d. Insurance companies. They are not taxed properly nor fully.

1. *Life.*

New York, 1862, 1870, 1880, 1892; Oregon, 1885 and 1890; Maine, 1889.

2. *Fire.*

New York, 1862 and 1870; Oregon, 1885; Maryland, 1886; Maine, 1889.

3. *Title.*

Oregon, 1885; Maryland, 1886; Maine, 1889.

e. Trust companies. They escape their full taxation.

New York, 1870 and 1880; Maine, 1889.

f. Deposit companies. They escape their full taxation.

New York, 1880.

g. Church, literary, charitable and educational institutions are exempted.

New Jersey, 1879 and 1890; Massachusetts, 1874 and 1893; New Hampshire, 1874; Maryland, 1886.

IV.—Miscellaneous.

1. *Income is taxed.*

Counsel and Committee of New York, 1892; Massachusetts, 1874 and 1893.

2. *A poll tax is levied.*

Massachusetts, 1874 and 1893; Oregon, 1885.

3. *Discount allowed for prompt payment.*

Massachusetts, 1874; Maryland, 1886.

4. *Laws are confused.*

New York, 1870, 1880, and Counsel and Committee of 1892; Pennsylvania, 1867; New Jersey, 1868, 1879 and 1890.

5. *Lack of local revenues.*

Pennsylvania, 1889; Delaware, 1891.

V.—Administration of the Tax System.

1. *Assessors fail to perform their duties.*

All the Commissions.

2. *Assessors have not sufficient power.*

New Jersey, 1879 and 1890; Massachusetts, 1874 and 1893.

3. *Assessments are not frequent enough.*

New York, 1870 and 1880; New Jersey, 1879 and 1890; Maryland, 1886; Ohio, 1893.

4. *Lack of supervision.*

Connecticut, 1867, 1880 and 1884; New York, 1862, 1870, 1880, Counsel and Committee, 1892; Pennsylvania, 1889; New Jersey, 1879 and 1890; Massachusetts, 1874 and 1894; West Virginia, 1884; Illinois, 1885; Maryland, 1886; Maine, 1889; Delaware, 1891; Iowa, 1892; District of Columbia, 1892; Ohio, 1893.

5. *Boards of equalization fail to perform their duties.*

Connecticut, 1843, 1867, 1880 and 1884; Oregon, 1885, 1890; District of Columbia, 1892; Ohio, 1893.

6. *Making oath to the list of property returned has a demoralizing influence.*

New York, 1870; Illinois, 1885.

7. *System of collection is defective.*

Pennsylvania, 1867; Oregon, 1885 and 1890; Maryland, 1886.

TABLE II.

The State Tax Commission, its Creation, Organization, Duties, Powers and Methods.

I.—Names of States which have had Tax Commissions, how and when Created, Tenure of Office and Time of Report.

How created.

In the District of Columbia by Congress, all other Commissions by the various State Legislatures.

Connecticut.

Created	1843;	tenure of office	12	months;	report made		1844
"	1867;	" "	12	"	"	"	1868.
"	1880;	" "	12	"	"	"	1881.
"	1884;	" "	34	"	"	"	1886. 1887.

New York.

Created	1862;	tenure of office	10	months;	report made		1863.
"	1870;	" "	22	"	"	"	1871. 1872.
"	1880;	" "	11	"	"	"	1881.
"	1892;	" "	12	"	"	"	1893.
"	1892;	" "	12	"	"	"	1893.

Pennsylvania.

Created	1867;	tenure of office	10	months;	report made		1868.
"	1889;	" "	11	"	"	"	1890.

New Jersey.

Created 1868; tenure of office 10 months; report made 1869.
" 1879; " " 12 " " " 1880.
" 1890; " " 12 " " " 1891.

Massachusetts.

Created 1874; tenure of office 6 months; report made 1875.
" 1893; " " 12 " " " 1894.

New Hampshire.

Created 1874; tenure of office 23 months; report made 1876.

West Virginia.

Created 1884; tenure of office 10 months; report made 1885.

Illinois.

Created 1885; tenure of office 12 months; report made 1886.

Oregon.

Created 1885; tenure of office 12 months; report made 1886.
" 1890; " " 12 " " " 1891.

Maryland.

Created 1886; tenure of office 24 months; report made 1888.

Maine.

Created 1889; tenure of office 18 months; report made 1890.

Delaware.

Created 1891; tenure of office 24 months; report made 1893.

District of Columbia.

Created 1892; tenure of office 8 months; report made 1892.

Iowa.

Created 1892; tenure of office 11 months; report made 1893.

Ohio.

Created 1893; tenure of office 8 months; report made 1893.

II.—Membership.

Number of members, whom to be appointed, and by whom.

1. *Appointed by the Governor and Executive Council.*

Connecticut commission of 1880 had 4 members; of 1884 had 9 members.

New York commission of 1870 and 1881 had 3 members; of 1892 (Counsel) had 2 members.

New Jersey commission of 1879 had 5 members; of 1890 had 6 members.

Massachusetts commission of 1874 had 3 members.

New Hampshire commission of 1874 had 3 members.

West Virginia commission of 1884 had 3 members.

Illinois commission of 1885 had 12 members. The members were to be selected from different occupations and from the several counties.

Maryland commission of 1886 had 4 members.

Maine commission of 1889 had 3 members.

Iowa commission of 1892 had 4 members. No member was to be selected from the Legislature; not more than two from the same political party; the agricultural class must be represented.

Ohio commission of 1893 had 4 members. They should be suitable men from the two most prominent political parties.

2. *Appointed by the Legislature.*

Connecticut commissions of 1843 and 1867 had 4 members.

New York commission of 1862 had 3 members, and 1892 (Counsel) had 7 members.

Pennsylvania commission of 1867 had 3 members; of 1889 had 8 members. To form the commission of 1889 the members were to come from different occupations.

Massachusetts commission of 1893 had 11 members.

Oregon commission of 1885 had 7 members and 1890 had 5 members. The former commission was to be composed of members of the House of Delegates, while the latter were to be taken from the Senate.

Delaware commission of 1891 had 6 members.

District of Columbia commission of 1892 had 3 members.

III.—Duties.

a. To ascertain the evils of the State systems and their cause.

All the Commissions.

b. To revise the laws.

Connecticut of 1884; New York, 1870, 1880, Counsel and Committee of 1892; Pennsylvania, 1867 and 1889; Massachusetts, 1874 and 1893; New Hampshire, 1874; West Virginia, 1884; Illinois, 1885; Maine, 1889; Iowa, 1892; Ohio, 1893.

c. To make a report.

Number of reports made by the commissioners of each State: Connecticut 5; New York 6; Pennsylvania 2; New Jersey 3; Massachusetts 2; New Hampshire 1; West Virginia 2; Illinois 1; Oregon 2; Maryland 1; Maine 1; Delaware 2; Iowa 1; District of Columbia 1; Ohio 1.

1. *To the Legislature.*

Connecticut, 1843, 1867 and 1884; New York, 1862, 1880, and Counsel and Committee of 1892; Pennsylvania, 1867 and 1889; New Jersey, 1868, 1879 and 1890; Massachusetts, 1874 and 1893; New Hampshire, 1874; Oregon, 1885 and 1890; Maryland, 1886; Delaware, 1891; Iowa, 1892; District of Columbia to House of Representatives, 1892.

2. *To the Governor.*

Connecticut, 1880; New York, 1870; West Virginia, 1884; Illinois, 1885; Maine, 1889; Ohio, 1893.

d. To present recommendations for the improvement of the system of taxation.

All the Commissions.

IV.—Powers.

a. To command the presentation of public papers.

All the Commissions.

b. To summon and examine witnesses.

Connecticut, 1867, 1880 and 1884; New York (Committee), 1892; Pennsylvania, 1867; Massachusetts, 1874 and 1893; Illinois, 1885; Oregon, 1885 and 1890; Maryland, 1886; Maine, 1889; District of Columbia, 1892; Ohio, 1893.

V.—Methods.

a. Consultation of administrative officials.

All the Commissions.

b. Circulars were sent throughout the States requesting certain questions to be answered.

All the Commissions except New Jersey, 1868 and 1890; Iowa, 1892; District of Columbia, 1892.

c. Testimony was taken at different places in the State from representatives of different occupations.

Connecticut, 1867; New York (Committee), 1892; Pennsylvania, 1889; New Jersey, 1879 and 1890; Massachusetts, 1874 and 1893; Illinois, 1885; Maryland, 1886; Maine, 1889; District of Columbia, 1892; Ohio, 1893.

d. Close study of the Constitution of the United States, of each State, and also the reports of other States.

All the Commissions.

e. Authorities on taxation were consulted.

Connecticut, 1880; New York, 1862, 1870, 1892 (Counsel); New Jersey, 1879, 1890 (Adam Smith and J. S. Mill); Massachusetts, 1874 (Goschen and Harold Rogers), 1893 (Dudley Baxter); Illinois, 1885; Maryland, 1886 (Dr. R. T. Ely); Maine, 1889; Delaware, 1891; Iowa, 1892; Ohio, 1893 (E. R. A. Seligman).

TABLE III.

Recommendations made by the Tax Commissions in their Reports.

I.—Personal Property.

a. Visible personal property should be taxed.

New York, 1870. New system suggested, viz.: Tax land at 50 per cent. of its value separately from building; then tax the latter as representing the owner's personalty at 50 per cent., or on three times the rental value of the house. The Report of 1872 recommends the tax to be three times the rental value of the house.

b. Invisible.

1. *Should be exempt.*

Connecticut, 1884; New York, 1870; also 1892 if it cannot all be reached; New Hampshire, 1874; West Virginia, 1884, if it cannot all be reached; Maryland, 1886, Dr. Ely's report; Delaware, 1891, minority report.

2. *Should be taxed.*

New York Report, 1872; New Jersey, 1879; Massachusetts, 1874; Delaware, 1891, majority report; West Virginia, 1884, if all can be reached; Pennsylvania, 1889, Mr. Wright's report, tax it but not locally; New York, 1892, Counsel, tax it if all can be reached.

3. *Mortgages should be exempt.*

New York, 1870; Maryland, 1886; also Dr. Ely's report; Ohio, 1893.

4. *Mortgages should be taxed.*

New York, 1862, tax them to mortgagee; Committee of 1892, mortgage on realty should be taxed one-half of one per cent. annually to the holder. New Jersey, 1868, borrowers and lenders can make arrangements about who shall pay the tax on loans; New Jersey, 1879, tax them as part of the real estate and the collector can give the mortgagor a receipt for the amount of the mortgage tax, which, according to contract, can be subtracted from the interest due on the mortgage. Massachusetts, 1893; West Virginia, 1884; Oregon, 1885 and 1890, and Maine, 1889: tax them as land

and apportion the interest in the land between the mortgagor and mortgagee; Iowa, 1892.

5. *Money in hand should be exempt.*

Connecticut, 1884; Ohio, 1893.

6. *Money in hand should be taxed.*

Pennsylvania, 1889: Pay a State tax of three mills and local tax of two mills on each one dollar.

7. *Credits should be taxed.*

Connecticut, 1867; Pennsylvania, 1889, pay a State tax of three mills and local tax of two mills on every one dollar; Oregon, 1885.

8. *Debts should be exempt.*

New York, 1862, 1870, 1880, unless the tax is made uniform; Counsel and Committee of 1892.

9. *Debts should be taxed.*

Connecticut, 1867; New York, 1880, if the tax is uniform; Pennsylvania, 1889, Mr. Wright's Report; New Jersey, 1868, 1879 and 1890; Massachusetts, 1893; West Virginia, 1884; Oregon, 1890; Maryland, 1886; Iowa, 1892.

10. *Bonds.*

(*a*). *Municipal.*

Massachusetts, 1893, and Ohio, 1893, should be taxed.

(*b*). *Corporate.*

Connecticut, 1867, should pay a tax of 8-10 of one per cent. on par value; New York, 1892 (Counsel), exemption; New Jersey, 1879: They should be taxed either locally or by State. Massachusetts, 1874: Tax them.

II.—Corporations.

A.—In General.

Connecticut, 1867: They should pay a tax on the true value of the corporate franchise at the average rate throughout the State. The tax should be distributed among the localities according to the number of shares owned in each section. Connecticut, 1884: Levy a tax of $100 upon application for charter. Upon incorporation, levy a tax of one-tenth of one per cent. on the par value of the shares issued. All corporations, except transportation and transmission companies and ecclesiastical and cemetery associations, should pay annually to the State a tax of one-fiftieth of one per cent. on total par value of shares of capital stock issued. New York, 1870 (Reformation of Old System of Taxation): Exempt

them from taxation as long as the State can do without the assessment. In the new system proposed the same commission recommend that all corporations monopolistic in character should be taxed. New York, 1892 (Committee): Foreign corporations should pay one-eighth of one per cent. upon the percentage of their total capital stock which the business done in the State bears to their entire business. Corporations, joint stock companies, express, gas, trust, electric, steam heating, lighting and power companies founded or organized in the State, with the exception of savings banks, domestic and foreign life insurance companies, banks, etc., should pay a tax of one-fourth mill upon each one per cent. of dividends upon the par value of the stock, if the dividends amount to six per cent. annually. Foreign corporations should pay a license fee upon the percentage of total capital stock which the business of said corporation done in this State bears to the entire business. Pennsylvania, 1889: Report of Mr. Wright: Profits alone should be taxed, that is, what remains when expenses have been deducted from gross receipts, but interest paid upon mortgages or fixed indebtedness is not included. Massachusetts, 1893: Shares of stock held in foreign corporations should be taxed. New Hampshire, 1874: All manufacturing establishments and the capital and machinery essential thereto and money loaned a town should be exempted from taxation. West Virginia, 1884: Apply a franchise tax. Mr. Mason, of this commission, recommended a tax on shares of stock and also a tax on the corporation itself. Illinois, 1885: That quasi-public corporations be taxed on capital stock. Oregon, 1885: Sleeping car companies, electric light, plank road, turnpike, wagon, road and bridge companies not organized under the State law should pay a tax of three per cent. on gross receipts. Oregon, 1890: The tax should be on gross receipts. Maryland, 1886: Corporations, except railroads, telegraph, express, telephone, insurance, safety deposit, trust and parlor car companies, should pay a tax on net profits and also a gross receipts tax. Foreign corporations should pay the same tax as Maryland corporations pay when doing business in the State creating the foreign corporations. Dr. Ely recommends that the Legislature refuse to grant charters to private companies which supply any municipality with gas, water, electric light. Charters might be granted to those bidding highest, that is, those willing to pay the greatest tax to the city. Even then the charter should be granted only for 15 years, after the expiration of which time it should revert to the city. Maine, 1889: Corporations of a speculative character should pay a franchise tax of one-tenth of one per cent. upon capital stock at par and an organization tax depending upon the amount of capital before the beginning of business. Capital not exceeding $5000 should pay $25. Iowa, 1892: They should be taxed one-fourth of one per cent. upon the amount of capital stock. Ohio, 1893: Foreign corporations should be exempted because the State did not create them and also because domestic corporations are not paying full taxes.

B.—IN PARTICULAR.

a. Banks.

1. *In general.*

Pennsylvania, 1889: Private banks and unincorporated banks should pay a local tax of ten mills on each dollar of gross earnings. Massachusetts, 1874: Bank shares should be taxed by the several States in the same way as moneyed corporations of their own creation.

2. *Savings banks should be exempt.*

Connecticut, 1867, and New York, 1862: Exemption of all amounts standing to the credit of any one depositor under $250. New York, 1892 (Counsel): Exemption should be allowed to the amount of $1000 held by each depositor.

3. *Savings banks should be taxed.*

New York, 1870 (new system proposed): The surplus should be taxed; New York, 1880. Pennsylvania, 1889: A local tax of 10 mills on each dollar of gross earnings. Massachusetts, 1874: Tax on all deposits in excess of $1000 held by any one depositor; also all national bank stock held by savings banks should be taxed the same as when held by individuals. Maine, 1889: One-half of one per cent. annually on all deposits, and loans made in the State, and one per cent. on those made out of State.

4. *National banks.*

New York, 1870 (new system proposed): Tax shares of stock. Pennsylvania, 1889: Local tax of three mills on each one dollar of capital stock value.

5. *Foreign banks.*

Connecticut, 1884: Shares owned by residents should be exempt. New York, 1880, also 1892 (Counsel): The latter recommends the payment of one-half of one per cent. on the business done in the State annually.

b. Insurance companies.

1. *Life.*

New York, 1862: Personalty should be exempted to the amount of $250 to each depositor. The mortgages held should be deducted when the tax is levied on capital. Capital stock and net earnings should be taxed, the net value of outstanding policies being deducted. New York, 1880; Oregon, 1885: The tax should be three per cent. on gross receipts when not organized under State laws. Maryland, 1886: Domestic companies should pay one per cent., and foreign one and a half per cent. on gross receipts. Maine, 1889. Two per cent. on all premiums received from residents and three-fourths of one per cent. on its surplus. Foreign

companies should pay two per cent. on all premiums received on contracts made in the State. Licenses should sell at $20, and agents should pay $5 annually.

2. *Fire.*

New York, 1862: Mortgages should be deducted when capital is levied upon; 1870 (new system): Let the assessment be upon the franchise proportioned to their capital stock. Oregon, 1885: Three per cent. on gross receipts when the company is not organized under State laws. Maryland, 1886: Domestic companies should be taxed one per cent. and foreign one and one-half per cent. on gross receipts. Maine, 1889: Foreign companies must pay two per cent. on all premiums received on contracts made in the State. Licenses should sell at $20, and agents should pay $5 annually.

3. *Title.*

Oregon, 1885: Three per cent. on gross receipts when the company is not organized under State laws. Maryland, 1886: Domestic companies one per cent., foreign one and one-half per cent. on gross receipts. Maine, 1889: Foreign companies must pay two per cent. on all premiums received under contracts made in the State. Licenses must sell at $20, and agents pay $5 annually.

c. Transportation and transmission companies.

1. *Railroads.*

Connecticut, 1884: They should pay annually to the State one per cent. on the value of the stock and a further tax on the par value of its funded and floating debt. New York, 1862: They should return a list of their property to local and State assessors, realty to be assessed where found, and personalty where main office is situated. Then the personalty tax should be apportioned among the localities. New York, 1870 (new system): They should be assessed alone to the State. Corporate franchise should be taxed at a valuation equal to the market value of its stocks and funded and floating debt, less cash on hand; Counsel, 1892: Foreign corporations doing business in the State by way of transportation and transmission companies should pay the same tax upon gross earnings as domestic corporations; Committee, 1892: They should pay one-quarter mill upon each one per cent. of dividends upon par value of the stock. Pennsylvania, 1889: All realty and personalty not essential to the transaction of business should pay a local tax on gross receipts or income over $300, and all essential to business should pay a local tax of four mills on value of property. Massachusetts, 1893: Capital stock should be taxed according to the number of miles of track. West Virginia, 1884: A franchise tax. Illinois, 1885: Assess on five times the amount of gross receipts at the average rate throughout the State. Oregon, 1885: State tax of two per cent. on gross earnings. Realty not used in the operation of the road should be taxed as other real property. Oregon, 1890: A gross receipts tax. Maryland, 1886:

Counties should levy on realty and personalty there situated. The State should levy a license privilege tax measured by gross receipts. The rate should increase with earnings per mile, beginning with one per cent. on first $1000 gross earnings. Dr. Ely's report recommends the same tax as the majority report. Maine, 1889: Gross receipts tax per mile, the rate increasing one-fourth of one per cent. with every $750 of gross receipts per mile. Iowa, 1892: One-fourth of one per cent. upon the amount of capital stock. Ohio, 1893: Franchise tax according to gross receipts.

2. *Telegraph.*

New York (Counsel), 1892: Foreign corporations should pay the same tax upon gross earnings as domestic corporations. Pennsylvania, 1889: All realty and personalty not essential to the transaction of business should pay a local tax on gross receipts or income over $300, and all essential to business should pay a local tax of four mills on the value of the property. Illinois, 1885: Seventy-five cents on every mile of wire. Oregon, 1885: Three per cent. on gross receipts of companies not organized under State laws. Maryland, 1886: Gross receipts tax at the rate of two per cent.

3. *Telephone.*

New York (Counsel), 1892: Foreign corporations should pay the same tax upon gross earnings as domestic corporations. Pennsylvania, 1889: All realty and personalty not essential to business should pay a local tax on gross receipts or income over $300, and all essential to business should pay a local tax of four mills on the value of the property. Illinois, 1885: Two dollars on each instrument. Oregon, 1885: Three per cent. on gross receipts not organized under State laws. Maryland, 1886: Gross receipts tax, the rate being three per cent.

4. *Express companies.*

New York (Counsel), 1892: Foreign corporations should pay the same tax upon gross earnings as domestic corporations. New York (Committee), 1892: All organized in the State should pay a franchise tax annually of one-fourth mill on each one per cent. of dividends upon the par value of stock if the dividends amount to six per cent. Pennsylvania, 1889: All realty and personalty not essential to the business should pay a local tax of four mills on the value of the property. Illinois, 1885: Two and one-half per cent. on gross receipts. Oregon, 1885: Three per cent. on gross receipts of companies not organized under State laws.

5. *Street railway companies.*

Massachusetts, 1893: The tax should not be distributed, but be kept in the locality where the business is pursued.

d. Trust companies.

New York, 1870 (new system): Franchise tax proportioned to capital stock. New York, 1880: Tax corporate trust mortgage

securities. Maine, 1889: One-half of one per cent. on all investments, deposits, loans made in the State, and one per cent. on those made outside of State.

e. Safety deposit companies.

New York, 1880.

f. Mining and quarrying corporations.

Connecticut, 1867: Those incorporated under State laws and doing business in the State should pay a tax of one-twentieth of one per cent. on the capital stock.

III.—Income Tax.

1. *In favor of such a tax.*

Pennsylvania, 1889, Mr. Wright's report. Massachusetts, 1874: Tax income exceeding $1000; and 1893 recommends the tax if income exceeded $2000 at a graded rate. Maryland, 1886, Dr. Ely's report: One per cent. on amounts over $600.

2. *Opposed to such a tax.*

New York, 1892, Counsel and Committee; Maine, 1889.

IV.—Inheritance Tax.

1. *Direct.*

New York, 1892 (Committee): Personalty in excess of $10,000 and realty in excess of $50,000. Maryland, 1886, Dr. Ely's report: One per cent. on amounts exceeding $1200. Iowa, 1892: When the value of personalty exceeds $25,000 and the realty $100,000, and when the same amounts are bequeathed to educational or charitable institutions, the tax should be one per cent. Ohio, 1893.

2. *Collateral.*

Connecticut, 1884: Three per cent. on all legacies over $1000, except public and charitable gifts. New York, 1880 and 1892 (Counsel): The latter recommends that money bequeathed to charitable and educational institutions be taxed as other collateral inheritances. The Committee of 1892: Realty and personalty in excess of $500; bequests to religious corporations should not be taxed unless in excess of $10,000. Maryland, 1886, Dr. Ely's report: Five per cent. on amounts exceeding $12,000. Maine, 1889: Two and one-half per cent. on amounts exceeding $500. Iowa, 1892: Five per cent. when it amounts to more than $2000 and not in excess of $50,000, seven per cent. on amounts exceeding $50,000 and not more than $100,000, and ten per cent. on amounts exceeding $100,000. Ohio, 1893.

V.—Poll Taxes.

In favor of such taxes.

Pennsylvania, 1889: All persons over twenty-one not having an income of $300 should pay an annual local tax of twenty-five cents. Mr. Wright, in his report, recommends a poll tax. Massachusetts, 1874: They should increase with the increase of expenditures and vice versa, a maximum and minimum rate being fixed.

VI.—Business Tax.

Maryland, 1886: Dr. Ely's report recommends a business tax of ten per cent. on the rental value of store, office and manufacturing establishments. Ohio, 1893: It should be levied on the net earnings of all corporations, domestic and foreign, except manufacturing and mercantile enterprises.

VII.—Church, Charitable and Literary Institutions.

1. *In favor of exemption.*

Pennsylvania, 1889, Mr. Wright's report; New Jersey, 1879; Massachusetts, 1874 and 1893; New Hampshire, 1874; Maryland, 1886, Dr. Ely's report; Iowa, 1892: Exempt bequest to the above if the amount does not exceed $25,000 in personalty or $100,000 in realty.

2. *Opposed to exemption.*

Maryland, 1886: All ground extending over ten feet from church, etc., should be taxed if not under the control of the State.

VIII.—Taxes on Merchandise.

West Virginia, 1884: Levy on the amount held at a fixed date. Maryland, 1886: Tax the actual value of the merchandise, but exempt book accounts.

IX.—Estates Held in Trust.

New York, 1892 (Committee): Should be levied upon at county probate.

X.—Wholesale Liquor Dealers.

Maryland, 1886, Dr. Ely's report: One thousand dollars for license, and twenty-five per cent. of rental value of place of business.

XI.—Discount for Prompt Payment of Taxes.

Opposed.

Massachusetts, 1874 and 1893; Maryland, 1886.

XII.—Separation of State and Local Taxes.

In favor of such separation.

New York, 1872 and 1892 (Committee); Pennsylvania, 1889, Mr. Wright's report: Things local in character should constitute the source of local taxation. Illinois, 1885: Corporations should be the source of State revenue. Oregon, 1885; Maryland, 1886, Dr. Ely's report; Maine, 1889: The State should have some other source of revenue than corporations. Iowa, 1892; Ohio, 1893.

XIII.—Tax as Few Things as Possible.

Pennsylvania, 1889, Mr. Wright's report.

XIV.—The Laws should be Made Clear.

New York, 1880 and 1892 (Counsel); Pennsylvania, 1867; Maine, 1889.

XV.—Limitation of the Taxing Power.

New York, 1870 (new system): A limit should be put upon the rate at which taxes can be levied in any year. The report of 1872 says the Legislature should be consulted upon the levying of any tax in the counties. Massachusetts, 1874: Municipalities should be prohibited from incurring debts beyond a certain per cent. of assessed value of property. Illinois, 1885: A maximum rate should be fixed.

XVI.—Administration of the Tax System.

a. Listing property.

1. *In favor of the list.*

Connecticut, 1843, 1880 and 1884; New York, 1862; Pennsylvania, 1889; New Jersey, 1879 and 1890; Massachusetts, 1893; West Virginia, 1884 (Mr. Mason); Oregon, 1885; Maryland, 1886, Dr. Ely's report; Maine, 1889.

2. *Opposed to the list.*

New York Counsel and Committee of 1892.

3. *In favor of listing in detail.*

Connecticut, 1843 (realty), 1880 and 1884; New York, 1862 and 1870.

4. *In favor of listing in the aggregate.*

Connecticut, 1843 (personalty).

5. *In favor of requiring oath with list.*

Connecticut, 1843; New York, 1862; New Jersey, 1879.

6. *Opposed to oath with list.*

New York, 1870 (Report of 1871); Illinois, 1885.

7. *Exhibition of list to public.*

(*a*). *In detail.*

Pennsylvania, 1889; Maine, 1889.

(*b*). *In aggregate.*

Connecticut, 1843; New York, 1862; Massachusetts, 1874.

b. Assessors.

1. *Should be appointed.*

New York, 1892 (Counsel); Pennsylvania, 1867; also Mr. Wright's report; Iowa, 1892.

2. *Should be elected.*

New York, 1862; New Jersey, 1879.

3. *Term of office.*

New York, 1862; New Jersey, 1879; Massachusetts, 1893; Maine, 1889, all recommend that the term be three years; Illinois, four years.

c. Reassessment.

1. *Real estate.*

New York, 1870: Whenever central body thinks necessary. New Jersey, 1879: Every three years, lands to be assessed separately from improvements. Maryland, 1886: Every three years in the city and every six years in the country. Dr. Ely, in his report, recommends every three years for country. Iowa, 1892, and Ohio, 1893: Every five years.

2. *Personal estate.*

Maryland, 1886: Annually.

d. Supervision.

1. *Establishment of a central board.*

New York, 1870; Pennsylvania, 1889: County Commissioners act as Board of Revision. New Jersey, 1879: State Board of Equalization. West Virginia, 1884: Illinois, 1885; State Board of Tax Commissioners. Maine, 1889: To consist of three State assessors holding office for six years; Delaware, 1891.

2. *Election of a State tax commissioner.*

Connecticut, 1843, 1867, 1880 and 1884; New York, 1892 (Counsel), election of State Board of Tax Commissioners; Massachusetts, 1874.

3. *County board of assessment.*

New York, 1862.

e. Methods of bringing about equalization.

1. *Creating a board of equalization.*

Pennsylvania, 1889: County Commissioners should act as a Board of Revision. New Jersey, 1879 and 1890; Oregon, 1885, and Ohio,

1893: There should be County and State Boards. District of Columbia, 1892; Iowa, 1892: There should be State and County Boards consisting of the Assessors. Ohio, 1893.

2. *Creating a board of appeal.*

Connecticut, 1867.

f. The collection of taxes.

The county treasurer should collect all the taxes.

Pennsylvania, 1867; Oregon, 1885; Maryland. 1886; also Dr. Ely's report.

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